

Inspector General

United States
Department of Defense



FY 2008 and FY 2009 DOD Purchases Made Through
the General Services Administration

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Acronyms and Abbreviations

COR	Contracting Officer's Representative
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
FMR	Federal Management Regulation
GSA	General Services Administration
IG	Inspector General
MIPR	Military Interdepartmental Purchase Request
O&M	Operations and Maintenance
OFPP	Office of Federal Procurement Policy
OIG	Office of the Inspector General
QASP	Quality Assurance Surveillance Plan
RFQ	Request for Quote
SAF/AQXR	Secretary of the Air Force, Management Policy and Programs Integration Office



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

November 30, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CHIEF FINANCIAL OFFICER
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTORS OF THE DEFENSE AGENCIES
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY


SUBJECT: FY 2008 and FY 2009 DoD Purchases Made Through the General
Services Administration (Report No. D-2011-018)

We are providing this report for review and comment. We considered management comments on a draft of this report when preparing the final report. We determined that the General Services Administration officials generally complied with Federal requirements when making purchases on behalf of DoD; however, DOD organizations showed little improvement since our FY 2005 audit. DoD provided \$2.8 billion to the General Services Administration contracting activities to award acquisitions for goods and services from June 2008 through September 2009.

DoD Directive 7650.3 requires that recommendations be resolved promptly. The Army, Missile Defense Agency, Defense Advanced Research Projects Agency, Defense Contract Audit Agency, Defense Finance and Accounting Service, Defense Information Systems Agency, Defense Legal Services Agency, Defense Logistics Agency, Defense Security Cooperation Agency, Defense Security Services, National Geospatial-Intelligence Agency, and National Security Agency/Central Security Services did not provide comments on Recommendation 3. Therefore, we request that these agencies provide comments by December 30, 2010.

If possible, send a .pdf file containing your comments to audacm@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9200 (DSN 664-9200). If you desire, we will provide a formal briefing on the results.


for Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

cc: Inspector General, General Services Administration



Results in Brief: FY 2008 and FY 2009 DoD Purchases Made Through the General Services Administration

What We Did

As required by Public Law 110-181, "National Defense Authorization Act for Fiscal Year 2008," we performed an audit of DoD contracting through the General Services Administration (GSA) to determine whether DoD and GSA improved their interagency purchasing practices since our last audit. We visited 10 DoD organizations and reviewed 50 purchases, valued at \$255 million. Further, we visited 3 GSA Client Support Centers and reviewed 35 of the 50 purchases, valued at \$203 million. DoD should continue to use GSA to purchase goods and services when in DoD's best interest.

What We Found

GSA has improved its funding and contracting practices. Specifically, GSA contracting and resource management officials generally complied with the Federal Acquisition Regulation and appropriation law when making the 50 purchases on behalf of DoD. In addition, DoD fund management has improved. However, DoD organizations showed little improvement in other areas since our FY 2005 purchases audit.

DoD officials did not perform or inadequately performed acquisition planning for 36 of 50 purchases, DoD officials did not develop or had inadequate interagency agreements for 31 of 50 purchases, and DoD and GSA officials incurred potential Antideficiency Act violations for 3 of 50 purchases. DoD and GSA officials did not ensure that contracting officer's representatives were assigned for 28 of 50 purchases, DoD and GSA officials did not have or had inadequate surveillance of contractor performance for 32 of 50 purchases, and DoD and GSA officials did not collect past performance information for 28 of 50 purchases. Finally, GSA contracting officials did not have support for price reasonableness determinations for 14 of 35 purchases reviewed.

These conditions occurred because DoD and GSA officials involved in the purchases did not emphasize acquisition planning and contract administration for the goods and services acquired through interagency acquisition. As a result, DoD organizations had no assurance that the purchases resulted in the best value for the Government or that the terms and conditions of contracts were met.

What We Recommend

- The Under Secretary of Defense for Acquisition, Technology, and Logistics should work with GSA officials to enhance Part B of the interagency agreements to address recurring problems identified in the report. The agreements should list the specific DoD and GSA personnel who will be responsible for the areas, and these individuals should sign Part B of the interagency agreements.
- The Under Secretary of Defense (Comptroller)/Chief Financial Officer should direct the DoD Components to initiate preliminary reviews for the three potential Antideficiency Act violations identified in the report.
- The Under Secretaries of the Army, Navy, and Air Force and the Directors of the Defense agencies should establish a peer review process to ensure that users of interagency contracting adhere to guidance.

Management Comments and Our Response

The Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer generally agreed with the recommendations. The Under Secretaries of the Navy and Air Force and the Directors of some Defense agencies generally agreed with the recommendation. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Under Secretary of Defense for Acquisition, Technology, and Logistics		1
Under Secretary of Defense (Comptroller)/Chief Financial Officer		2
Defense Human Resource Activity		3
Under Secretary of the Army	3	
Under Secretary of the Navy		3
Under Secretary of the Air Force		3
National Security Agency/Central Security Services	3	
Defense Advanced Research Projects Agency	3	
Defense Information Systems Agency	3	
Defense Intelligence Agency		3
Defense Logistics Agency	3	
Defense Contract Audit Agency	3	
Defense Security Cooperation Agency	3	
National Geospatial-Intelligence Agency	3	
Defense Security Services	3	
Defense Legal Services Agency	3	
Missile Defense Agency	3	
Defense Commissary Agency		3
Defense Finance and Accounting Service	3	
Defense Contract Management Agency		3

Please provide comments by December 30, 2010.

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Introduction

Audit Objectives

The overall objective was to determine whether DoD and the General Services Administration (GSA) improved their interagency purchasing practices since our last audit, “FY 2005 DoD Purchases Made Through the General Services Administration,” October 30, 2006¹. Specifically, we examined policies, procedures, and internal controls to determine whether DoD had a legitimate need to use GSA for making purchases and whether DoD clearly defined its requirements. Additionally, this joint review examined whether GSA and DoD properly used and tracked funds and whether GSA complied with Federal and Defense procurement requirements. See Appendix A for a discussion of the scope and methodology. See Appendix B for prior coverage.

Background on DoD Use of GSA

Section 801, Public Law 110-181, “National Defense Authorization Act for Fiscal Year 2008,” January 28, 2008 states:

(a) INSPECTORS GENERAL REVIEWS AND DETERMINATIONS.—

(1) IN GENERAL.—For each covered non-defense agency, the Inspector General of the Department of Defense and the Inspector General of such covered non-defense agency shall, not later than the date specified in paragraph (2), jointly—

(A) review—

(i) the procurement policies, procedures, and internal controls of such covered non-defense agency that are applicable to the procurement of property and services on behalf of the Department by such covered non-defense agency; and

(ii) the administration of such policies, procedures, and internal controls; and

(B) determine in writing whether such covered non-defense agency is or is not compliant with defense procurement requirements.

To comply with the FY 2008 National Defense Authorization Act, the DoD Office of Inspector General (OIG) and GSA OIG conducted an interagency audit of DoD purchases made through GSA in FYs 2008 and 2009. This is the third audit of DoD purchases made through GSA. Our second audit disclosed problems that are summarized in DoD Inspector General (IG) Report No. D-2007-007, “FY 2005 DoD Purchases Made Through the General Services Administration,” October 30, 2006. The GSA OIG conducted its own review of GSA contracting procedures and will report separately. Their report will make recommendations to correct problems noted at GSA.

¹Report No. D-2007-007

General Services Administration

GSA is a Federal procurement and property management agency created to improve Government efficiency and help Federal agencies better serve the public. The GSA mission is to leverage the buying power of the Federal Government to acquire the best value for taxpayers and their Federal customers. GSA:

- exercises responsible asset management and delivers superior workplaces, quality acquisition services, and expert business solutions;
- develops innovative and effective management policies;
- consists of 12,000 employees who provide services and solutions for the workplace operations of more than one million Federal workers; and
- consists of two entities, the Public Buildings Service and the Federal Acquisition Service.

In 2006 and 2007, GSA reorganized, and the Federal Technology Service and Federal Supply Service merged and became the Federal Acquisition Service. The Federal Acquisition Service offers value-added and customized acquisition, project management, and financial management services for information technology and professional services' products and services. The agencies using the Federal Acquisition Service can choose the services and the level of support needed for each requirement. GSA solutions may include the use of Government-wide acquisition contracts, multiple-award contracts, GSA schedules, and single-award or agency-specific contracts. The Federal Acquisition Service offers services on a fee-for-service basis that includes hourly rates, fixed prices, and surcharge options.

The Federal Acquisition Service consists of 11 GSA regions. Each region has a Client Support Center that provides assisted acquisition support for Federal agencies within that region. The Client Support Centers regions are:

- New England Region 1 (Boston, Massachusetts),
- Northeast and Caribbean Region 2 (New York City, New York),
- Mid-Atlantic Region 3 (Philadelphia, Pennsylvania),
- Southeast Sunbelt Region 4 (Atlanta, Georgia),
- Great Lakes Region 5 (Chicago, Illinois),
- The Heartland Region 6 (Kansas City, Missouri),
- Greater Southwest Region 7 (Fort Worth, Texas),
- Rocky Mountain Region 8 (Denver, Colorado),
- Pacific Rim Region 9 (San Francisco, California),
- Northwest/Arctic Region 10 (Auburn, Washington), and
- National Capital Region 11 (Washington, DC).

From June 1, 2008, through September 30, 2009, DoD provided \$2.8 billion to GSA contracting activities to award acquisitions of 6296 goods and services. For this audit, we visited 10 DoD organizations where we reviewed 50 purchases valued at \$255 million and 3 GSA Client Support Centers where we reviewed 35 of the 50 purchases valued at \$203 million. Forty-four of the 50 purchases were valued at more than \$500,000.

Changes As a Result of Previous Audits

Since the last audit, the GSA Federal Acquisition Service Comptroller's Office has returned \$859.9 million to DoD organizations (see Table 1).

Table 1. Funds Returned to DoD Organizations by GSA

Fiscal Year	Returned Funds (in millions)*
2007	\$366.6
2008	273.8
2009	219.5
Total	\$859.9
*These funds include expired funds as well as funds no longer needed.	

Memorandum of Agreement Between DoD and GSA

In December 2006, DoD and GSA officials signed a memorandum of agreement to improve the interagency acquisition process as a result of DoD IG Report No. D-2007-007, "FY 2005 DoD purchases Made Through the General Services Administration." DoD and GSA officials agreed to work together on multiple areas. Some areas include:

- developing standardized content for interagency agreements,
- ensuring that contract surveillance and oversight requirements are defined, adequate, and implemented when used in conjunction with a contract or order issued by DoD or GSA;
- ensuring that acquisition planning is done before and after work is assigned to GSA;
- ensuring that a DoD contracting officer reviews work before the work is accepted by GSA;
- ensuring that DoD customers provide quality military interdepartmental purchase requests (MIPRs)² to GSA for assisted acquisitions; and
- ensuring that contractor past performance is documented properly and in a timely manner for contracts or orders issued by DoD or GSA.

This agreement also included 24 action items that more specifically defined DoD and GSA's respective roles and responsibilities with regard to the agreement. The following are some examples of action items.

- The Under Secretary of Defense for Acquisition, Technology, and Logistics will issue a policy memorandum to require a DoD contracting officer review of each

²A MIPR is a funding document.

acquisition greater than \$500,000 that is to be placed on contract by a non-DoD contracting officer.

- The Under Secretary of Defense for Acquisition, Technology, and Logistics will issue a policy memorandum establishing DOD policy on contract administration roles and responsibilities when purchasing goods or services through non-DoD agencies.
- GSA and DoD will jointly issue a memorandum to emphasize proper acquisition planning when the Department uses contract vehicles of GSA or contract support provided by GSA to DoD.
- GSA and DoD will jointly develop standardized content for interagency agreements such as DoD and GSA identified roles and responsibilities and quality assurance surveillance plans.
- The Under Secretary of Defense for Acquisition, Technology, and Logistics will issue a policy memorandum establishing the DoD policy on roles and responsibilities related to the proper capture of past performance information in the Federal past performance database.

DoD and GSA officials completed 21 action items, and DoD officials continue to work on the remaining 3 actions. The three remaining actions are: revise DoD Instruction 4000.19, “Interservice and Intragovernmental Support,” jointly issue a memorandum to emphasize proper acquisition planning when DoD uses GSA, and issue a memorandum on the need to use performance-based requirements, hold contractors accountable for nonperformance, and deobligate funds in a timely manner.

Interagency Acquisitions Guidance

On June 6, 2008, the Office of Federal Procurement Policy (OFPP), in the Office of Management and Budget, Executive Office of the President, issued a memorandum, “Improving the Management and Use of Interagency Acquisitions.” The memorandum provides guidance to help agencies make sound decisions when supporting the use of assisted acquisitions and direct acquisitions. The guidance lists key parts of an interagency agreement, including Part A: general terms and conditions, and Part B: requirements and funding information. The guidance also provides a checklist of roles and responsibilities for the requesting and servicing agency. On October 31, 2008, the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics issued a memorandum, “Meeting Department of Defense Requirements Through Interagency Acquisitions,” mandating the use of the OFPP guidance.

Review of Internal Controls

DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006,³ requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control

³DoD reissued DoD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” on July 29, 2010. We performed this audit under the previous guidance.

weaknesses for Office of the Under Secretary of Defense for Acquisitions, Technology, and Logistics. DoD program, contracting, and financial officials did not comply with Federal or Defense regulations and guidance. DoD organizations did not determine that the use of GSA was in the best interest of the government. Further, DoD contracting officers did not always review purchases of more than \$500,000 as required. DoD organizations should ensure that they comply with DoD Regulation 7000.14-R, "DOD Financial Management Regulation," (DoD FMR) when making assisted acquisitions. Implementing Recommendation 1 will improve assisted acquisitions. We will provide a copy of the report to the senior official responsible for internal controls in the Office of the Under Secretary of Defense for Acquisitions, Technology, and Logistics.

Finding. Improvements Needed in DoD Use of the General Services Administration

GSA contracting officials and DoD fund management officials have significantly improved their interagency contracting practices related to the appropriate use of funds and proper contract awards. However, DoD officials did not consistently comply with the Federal Acquisition Regulation (FAR) and DoD regulations. Specifically,

- for 36 of 50 purchases, valued at approximately \$188 million, DoD officials did not perform or inadequately performed acquisition planning to determine whether the use of non-DoD contracts was in the best interest of the Government; and for 31 of 50 purchases, valued at approximately \$152 million, did not develop or have inadequate interagency agreements;
- for 3 of 50 purchases, valued at approximately \$5.8 million, GSA and DoD officials incurred potential Antideficiency Act violations through the use of incorrect appropriations; and
- for 28 of 50 purchases, valued at approximately \$128 million, GSA and DoD officials did not ensure that a contracting officer's representatives (COR) was assigned; for 32 of 50 purchases, GSA and DoD officials did not have or had inadequate surveillance of contractor performance; and for 28 of 50 purchases,⁴ DoD and GSA officials did not collect past performance information.

Furthermore, the GSA contracting officials did not always properly award purchases reviewed. Specifically,

- for 4 of 35 purchases, valued at approximately \$5 million, GSA contracting officials did not ensure adequate competition, and
- for 14 of 35 purchases, valued at approximately \$66 million, GSA contracting officials did not have sufficient support for price reasonableness determinations.

This occurred because the DoD and GSA officials involved in the purchases did not emphasize acquisition planning and contract administration for the goods and services acquired through interagency acquisitions. As a result, DoD organizations had no assurance that the purchases resulted in best value for the Government or that the terms and conditions of contracts were met.

⁴Six of the purchases did not meet the threshold that requires past performance information to be collected.

Inadequate Acquisition Planning for Use of GSA Contracting Services

We visited 10 DoD organizations that sent funds to GSA using MIPRs for the acquisition of goods and services. The DoD organizations did not always:

- perform acquisition planning to support that GSA was the best source for the procurement of goods and services;
- enter into interagency agreements with GSA that were specific, definite, and certain; or
- properly prepare MIPRs used to fund their purchases.

Acquisition Planning

Of the 50 purchases reviewed, DoD did not perform adequate acquisition planning for 36 purchases valued at approximately \$188 million, as required by the FAR. DoD is required to perform adequate acquisition planning prior to sending funds to GSA. FAR Part 7, “Acquisition Planning,” requires agencies to perform acquisition planning for all acquisitions. FAR 7.102 adds: “the purpose of this planning is to ensure that the Government meets its needs in the most effective, economical, and timely manner.” Moreover, DoD organizations must determine and support that the decision to use GSA contracting services instead of DoD services for the acquisition of goods and services is in the best interest of the Government. Best interest determinations are required by DoD memorandum, “Proper Use of Non-DoD Contracts,” October 29, 2004. The memorandum states:

Factors to be considered include:

- satisfying customer requirements;
- schedule;
- cost-effectiveness (taking into account discounts and fees); and
- contract administration (including oversight)

DoD organizations did not always follow FAR and DoD standards for acquisition planning when using GSA to acquire goods and services. For instance, the Navy Warfare Development Command used GSA Region 1 for the acquisition of Management, Organizational, and Business Improvement Services and the Concept of Operations and Joint Concept Development and Experimentation Engineering/Analysis support purchases, valued at \$3.1 million. A Navy Warfare Development Command official stated that he relied on GSA for the acquisition planning because GSA always completed the acquisition plan. However, the June 6, 2008, OFPP memorandum and the October 16, 2006, Under Secretary of Defense, “Non-Economy Act Orders,” memorandum clearly state that the requiring activity, in this case the Navy Warfare Development Command, is responsible for the acquisition planning prior to sending the request to GSA. Further, the Navy Warfare Development Command officials did not prepare best interest determinations to use GSA, and a DoD contracting officer did not review any of the Navy Warfare Development Command purchases. See Appendix C for detailed information on the contracting problems.

DoD Contracting Officer Review

Of the 50 purchases reviewed,⁵ DoD contracting officers did not adequately review the order package as required by DoD guidance for 33 purchases, valued at \$192 million. The Under Secretary of Defense October 16, 2006, memorandum, “Non-Economy Act Orders,” and the DoD FMR volume 11A, chapter 18, “Non-Economy Act Orders,” require all non-economy act orders of more than \$500,000 to be reviewed by a DoD-warranted contracting officer before sending the funds to the non-DoD organization. For example, the Defense Commissary Agency did not follow DoD policy when using GSA to acquire services. Specifically, the Defense Commissary Agency used GSA to acquire heating, ventilation, and air conditioning services, valued at \$1.48 million. However, the requiring activity never sent the acquisition package to a DoD-warranted contracting officer for review. A DoD-warranted contracting officer must evaluate the acquisition package to determine whether the requirement is in accordance with DoD policy that states non-economy act orders are conducted in the best interest of DoD.

Interagency Agreements

Of the 50 purchases reviewed, DoD organizations did not have adequate interagency agreements with GSA outlining the terms and conditions of the purchase for 31 purchases, valued at approximately \$152 million. Moreover, DoD and GSA officials did not always comply with DoD and OFPP policy on interagency agreements. Of the 31 purchases that did not have an adequate interagency agreement with GSA, 25 were inadequate, and 6 did not have an agreement at all. Most of the deficiencies were caused by excluding the minimum interagency agreement supporting information that must be included in agreement. Generally, the inadequate agreements did not have the authority and/or the period of performance for the work. The interagency agreements usually cited section 321, title 40, U.S.C., “Acquisition Services Fund,” which is the GSA statutory authority to perform interagency acquisitions. The October 31, 2008, Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum mandates the use of the June 6, 2008, OFPP memorandum for all assisted acquisitions and establishes elements that are to be included in the interagency agreements for assisted acquisitions. According to the June 6, 2008, OFPP memorandum, the interagency agreements must consist of two parts. Part A describes the requirements general terms and conditions of the interagency relationship, while Part B describes the requesting agency’s requirements along with the funding information that is needed to demonstrate a bona fide need for the specific purchase. Furthermore, the DoD FMR volume 11A, chapter 18, “Non-Economy Act Orders,” requires all interagency orders to be supported by a written agreement between the requiring agency and the servicing agency that includes, at a minimum, the authority, a description of the material or services required, the financing source or fund citation, the delivery requirements, the payment provisions, and the duration of the agreement.

⁵Six purchases that we reviewed did not meet the threshold (\$500,000) that required DoD contracting officers to review the purchase.

MIPR Preparation

Of the 50 purchases reviewed, DoD officials did not provide the required information necessary on the MIPRs for interagency transactions for 39 purchases, valued at \$225 million. Section 1501, title 31, U.S.C., “Documentary evidence requirement for Government obligations,” requires a binding, written agreement between two agencies that will record the specific goods to be delivered, real property to be bought or leased, or work or services to be provided. Defense Federal Acquisition Regulation Supplement (DFARS) 253.208-1, “DD Form 448, Military Interdepartmental Purchase Request,” requires reporting a realistic time of delivery or performance on each MIPR. Further, the DoD FMR volume 11A, chapter 18, states that non-Economy Act orders for work and services outside of DoD should be executed by issuance of a DD Form 448, “Military Interdepartmental Purchase Request (MIPR),” and accepted using DD Form 448-2, “Acceptance of MIPR.” If an alternative execution document is used, it must provide information consistent with the MIPR. Non-Economy Act orders must include a firm, clear, specific, and complete description of the goods or services ordered, specific performance or delivery requirements, a proper fund citation, and a specific non-Economy Act statutory authority.

DoD organizations issued MIPRs that either lacked a detailed description of the goods or services to be acquired, did not specify the period of performance for purchased services and delivery requirements for goods, or omitted the funding statement required by the DoD FMR, volume 11A, chapter 18. The funding statement states, “These funds are available for services for a period not to exceed one year from the date of obligation and acceptance of this order. All unobligated funds shall be returned to the ordering activity no later than one year after the acceptance of the order or upon completion of the order, whichever is earlier.” In the case of goods, the DoD FMR volume 11A, chapter 18, requires that interagency funding documents include the statement, “I certify that the goods acquired under this agreement are legitimate, specific requirements representing a bona fide need of the fiscal year in which these funds are obligated.” Most of the omitted information on the MIPRs related to the lack of funding statements and the period of performance that should have been included. For example, the five Battle Command Battle Lab-Fort Huachuca purchase MIPRs sent to GSA, and dated after the effective date of the March 27, 2006, memorandum, did not include the funding statement required by that memorandum. Also, the Secretary of the Air Force, Management Policy and Programs Integration Office (SAF/AQXR) Center for Reengineering and Enabling technical support purchase did not include the funding statement or period of performance on the MIPRs. It appears that the March 27, 2006, memorandum, and DoD FMR requirements guidance were not disseminated to the DoD working level.

When preparing a MIPR, DoD organizations should either list or include a reference to an interagency agreement, statement of work, task order, modification, or other contractual document that contains a specific description of the goods and services being procured. The description should include the expected periods of performance and the DoD-required funding statement to provide a sound basis for the use of DoD funds. Enhancing Part B of the interagency agreement to state that the financial personnel properly prepared MIPRs in accordance with DoD guidance and then having that

individual sign the agreement will promote accountability. See Appendix D for detailed information on the funding problems.

DoD Generally Funded Purchases Correctly

DoD organizations generally funded purchases through GSA correctly. We did not find any bona fide needs issues. However, DoD organizations did not always use the correct appropriation to fund the requirement.

DoD organizations generally funded purchases through GSA correctly.

Further, some DoD organizations did not maintain an audit trail of funds for purchases.

Bona Fide Need

Of the 50 purchases reviewed, we found no potential bona fide needs violations. All 50 purchases served a need existing in the fiscal year for which the appropriations were available, and the purchases were considered adequate. DoD and GSA officials complied with the bona fide needs rule and made significant improvements since our last audit. GSA officials made changes to its Information Technology Solutions Shop (ITSS) system Regional Business Application, which is used to track funds. Funds transferred to GSA can now be tracked by appropriation type and fiscal year. The Regional Business Application automatically sends an e-mail notification to GSA personnel if expired funds are being used. This is a significant improvement.

DoD Financial Management Regulation Appropriation Guidance

Annual appropriation acts define the uses of each appropriation and set specific timelines for use of the appropriations. The DoD FMR volume 2A, chapter 1, provides guidelines on the most commonly used DoD appropriations for determining the correct appropriation to use when planning acquisitions.

Expenses incurred in continuing operations and current services are budgeted in the Operations and Maintenance (O&M) appropriations. Modernization costs of less than \$250,000 are considered expenses, as are one-time projects such as developing planning documents and studies. O&M funds are available for obligation for 1 year.

Acquiring and deploying a complete system with a cost of \$250,000 or more is an investment and should be budgeted in a Procurement appropriation. Complete system cost is the aggregate cost of all components (for example, equipment, integration, engineering support, and software) that are part of, and function together as, a system to meet an approved documented requirement. For modification efforts, only the cost of the upgrade (for example, new software, hardware, and technical assistance) is to be counted towards the investment threshold. The total cumulative cost of the entire system is not to be considered when deciding what appropriation to use to fund modernization. Procurement funds are available for 3 years.

Development, test, and evaluation requirements, including designing prototypes and processes, should be budgeted in the Research, Development, Test, and Evaluation

appropriations. In general, all developmental activities are to be budgeted in Research, Development, Test, and Evaluation appropriations. These funds are available for 2 years.

Recruiting, training, and retaining acquisition personnel should be budgeted in the DoD Acquisition Workforce Development fund. The funds will help to ensure that the DoD acquisition workforce has the capacity, in both personnel and skills, needed to properly perform its mission, provide appropriate oversight of contractor performance, and ensure that DoD receives the best value for the expenditure of public resources. The funds will remain available for expenditure in the fiscal year for which credited and the 2 succeeding fiscal years.

Incorrect Appropriations

Of the 50 purchases reviewed, DoD organizations used incorrect appropriations to fund the requirements for 3 purchases, valued at \$5.8 million. For example, the Defense Acquisition University used O&M funds and Workforce Development funds for the \$2.5 million Courseware Development purchase. The Defense Acquisition University developed courses to meet the training and performance support requirements for military and civilian personnel serving in acquisition positions around the world. According to the statement of work for this purchase, the objectives require the contractor to “design, develop, produce, update, and maintain Distributed Learning courses, IT supported classroom courses, Continuous Learning modules, rapid deployment training, and targeted training requirements that support the DAU [Defense Acquisition University] mission at a high standard of excellence.” The contractors will be responsible for modifying the current courseware systems to meet changing development and upgrade requirements.

The modification of courseware products was not within the scope of O&M and Workforce Development funds. O&M funds are to be used for expenses incurred in continuing operations of less than \$250,000, while this purchase is for \$2.5 million. Workforce Development funds should be used for recruiting, training, and retaining acquisition personnel. This purchase was for designing and modifying the current courseware systems. Based on a review of the statement of work, Procurement funds and Research, Development, Test, and Evaluation funds should be used for this purchase. According to DoD FMR volume 2A, chapter 1, Procurement funds should have been used for modification efforts of more than \$250,000. Research, Development, Test, and Evaluation funds should be used to design and develop systems. Therefore, the Defense Acquisition University used the incorrect appropriations for this purchase.

In another example, SAF/AQXR sent funding documents to GSA totaling approximately \$1.8 million, using O&M and Research, Development, Test, and Evaluation funds. The procurement was for the Integrated Budget Documentation and Execution System modernization effort that included developing, integrating, testing, and releasing software updates that addressed change requests, deficiency reports, recommended enhancements, and major software upgrades. The overall Integrated Budget Documentation and Execution System requirement was separated into two purchases that covered modernization and sustainment.

The Secretary of the Air Force used \$800,000 of O&M funds and \$1,000,000 of Research, Development, Test, and Evaluation funds for the modernization effort. According to DoD FMR volume 2A, chapter 1, Research, Development, Test, and Evaluation funds should be used for development, test, and evaluation requirements, including designing prototypes and processes. Also, O&M funds should be used for expenses incurred in continuing operations and current services or for modernization costs of less than \$250,000, the O&M funds used for the purchase reviewed was well above the \$250,000 threshold. The Secretary of the Air Force did not always use the correct appropriation because funds were not used in accordance with DoD policy. The Under Secretary of Defense (Comptroller)/Chief Financial Officer should direct the Defense Acquisition University and Secretary of the Air Force officials to conduct preliminary reviews to determine whether Antideficiency Act violations occurred. The remaining potential Antideficiency Act violation is discussed in the next section.

Audit Trail

Of the 50 purchases reviewed, DoD officials did not maintain an audit trail for the funds used to make 9 purchases valued at approximately \$63 million. According to DoD FMR volume 11A, chapter 18, the requesting official is required to monitor the fund status. DoD finance office officials should track the funds sent to GSA and have written procedures to delineate duties for tracking the fund balances of GSA purchases.

DoD personnel used software such as Commander's Resource Integration System (CRIS), Defense Business Management System, and Standard Accounting and Reporting System (STARS) to track MIPR fund status. These systems created reports to show the obligation, expenditures, disbursements, and remaining fund balance. The funding reports for the 9 purchases with no audit trails were either not provided or the information did not match its respective MIPR. For example, the Air Force Civil Engineer Support Agency officials provided us a funding summary sheet for the Utilities Privatization purchase to show how funds were tracked. The purchase used MIPR F4ATA59138G001, but this MIPR was not listed on any tracking sheet provided. The information on the funding sheet did not correspond with the MIPRs provided by Air Force Civil Engineer Support Agency. Thus, we were unable to determine how the MIPR totals were tracked.

In another example, the Naval Meteorology and Oceanography Center accepted approximately \$10.4 million of Department of Homeland Security "no-year" funds through interagency agreements for the Security Ancillary Equipment II purchase. The Naval Meteorology and Oceanography Center then sent \$1.4 million of FY 2009 Navy O&M funds to GSA for the purchase. The Department of Homeland Security requirement supports the National Center for Critical Information Processing and Storage Center that seeks to consolidate and safely store information critical to operations of the Federal Government. The DoD FMR volume 2A, chapter 1, requires the use of procurement funds for equipment purchases of more than \$250,000, not O&M funds. Additionally, the DoD MIPR sent to GSA stated that Department of Homeland Security funds were used for the purchase but did not identify the specific Department of Homeland Security fund cite. However, the Naval Meteorology and Oceanography

Center/GSA interagency agreement mentions that Treasury “no-year” funds were used for the purchase. The Department of Homeland Security funding data did not reconcile to the DoD funding information. Those funding documents and audit trail discrepancies made it impossible to trace the funding from Department of Homeland Security interagency agreements to DoD MIPRs.

Potential systematic issues existed related to tracking funds and managing the type of money used to award contracts on behalf of non-DoD agencies. Changing the type of funds could possibly extend the periods of availability or change restrictions of appropriations beyond the established funding limits. Moreover, GSA contracting officials who awarded contracts on behalf of those non-DoD agencies were not aware of original funding sources and that could lead to the misuse of funds. Including non-DoD agencies’ fund cites on MIPRs and interagency agreements, as well as reconciling DoD and other Federal agencies’ funding totals could increase transparency for tracking funds and reduce misuse of funds possibilities. Finally, the Under Secretary of Defense (Comptroller)/Chief Financial Officer should direct the Naval Meteorology and Oceanography Center to conduct a preliminary review to determine whether the incorrect appropriation was used and an Antideficiency Act violation occurred for the Ancillary Equipment II purchase and to review the augmentation of Navy appropriations.

GSA Contracting Officers Generally Promoted Full and Open Competition

GSA contracting officers generally promoted full and open competition through offers solicited prior to contract award. Full and open competition exceptions include sole-source and small business set-aside/8(a) contracts. Furthermore, contracting officers must determine and document that prices paid for purchases are fair and reasonable. Price reasonableness determinations are based on competition as well as a combination of comparative cost analysis that includes market research and proposed price with prices found reasonable on previous purchases comparison; current price lists, catalogs, or advertisements; independent Government cost estimate comparison; or any other reasonable basis.

Competition

We reviewed 35 contract actions⁶ GSA contracting officials awarded on behalf of DoD organizations. Of 35 purchases, 21 valued at \$123,593,969, were competed and received multiple offers; the remaining 14 purchases, valued at \$80,666,558, were awarded after contracting officials’ efforts to compete purchases received only a single offer or were issued by sole-source selection. Moreover, 4 of those 35 contract actions were not adequately competed by GSA contracting officials.

For example, the Defense Acquisition University Learning Management Support purchase, valued at \$2.2 million, was originally awarded through the Federal Learning Technology Program (Fed Learn) that served under the GSA Federal Technology Service

⁶ We reviewed 35 of the 50 purchases at 3 GSA regions.

on a cost-reimbursable basis by the authority of the Information Technology Management Reform Act (ITMRA) and the Office of Management and Budget. As a result of the Fed Learn closure, the Learning Management Support purchase was transferred to GSA Region 3 (Philadelphia).

The single-offer award did not adequately demonstrate and document that contracting officials employed reasonable efforts to identify additional contractors. A GSA contracting official stated that there was only one proposal in the contract file from the contractor awardee, and further stated that the total number of vendors solicited was unknown. Though the total number of vendors considered for the requirement was not provided, GSA personnel stated that the purchase was competed in accordance with section 803, Public Law 107-107, "National Defense Authorization Act for Fiscal Year 2002," by posting the acquisition package on the GSA eBuy Web site. The request for quote (RFQ) that was open only 14 days did not include the list of vendors that were considered for the purchase. DFARS 208.405-70 states that orders exceeding the simplified acquisition threshold should be placed on a competitive basis if there is fair notice of the intent to make the purchase. Moreover, the eBuy Web site instructs Government officials requesting quotes to place a "check" next to vendors that they would like a quote from on their RFQ. The vendors selected receive an e-mail notice inviting them to provide a price quote on the RFQ. Preferably, quotes should be requested from three vendors, if possible. Sending e-mail notifications to qualified vendors could have increased competition for the requirement that was open only for 14 days. Proper documentation of competition efforts should include listing of vendors RFQ and applicable e-mail notifications within the contract file.

In another instance, GSA Region 4 (Atlanta) contracting officials awarded a Federal Supply Schedule purchase for a Naval Meteorology and Oceanography Command SL8500 Tape Library and Tape Cartridges. Two bids were submitted for the purchase; however, the contract action was inadequately competed because GSA contracting officials listed a target price during solicitation that was placed on the FedBiz Web site. FAR 16.201 states that fixed-price contracts providing for an adjustable price may include a ceiling price and target price. However, including the target price within the solicitation to contractors establishes price boundaries for bids and may not provide the best price.

For the sole-source contracts reviewed, GSA officials provided appropriate FAR exceptions and sufficiently explained the rationale of not competing requirements.

Price Reasonableness Determinations

Of the 35 purchases reviewed, GSA contracting officials did not adequately document and support price reasonableness determinations for 14 purchases valued at approximately \$66 million. Of the 14 purchases reviewed, 9 had price reasonableness determinations that were not sufficiently supported, and the remaining 5 purchases did not have any price reasonableness determinations documented in the contract files. Finally, 21 of the purchases had adequate price reasonableness determinations.

GSA contracting officials at Region 4 (Atlanta) issued a task order under a Blanket Purchase Agreement for the Air Force Civil Engineer Support Agency. The requirement for a Utilities Privatization program purchase did not adequately explain the rationale for determining that prices were fair and reasonable. FAR Part 17.207, "Exercise of Options," states that the contracting officer may exercise an option only after determining that it is the most advantageous method of fulfilling the Government's need, price, and other factors. Those other factors include making the determination on the basis of a new solicitation not being more advantageous, an informal market price analysis indicating that the option price is better, or the time between award and option year being so short that it indicates that the option is the lowest price. Prior to exercising an option, the contracting officer must make a written determination for the file that the option is being exercised in accordance with the option terms and FAR part 17.207 requirements. A Determination and Finding Exercise of Option was provided that states,

In accordance with Federal Acquisition Regulation 17.207, I hereby determine it to be in the best interest of the Government to exercise the option period three for the period of 7/1/2009 to 6/30/2010 based on the following findings . . . the exercise of the Option is a means for ensuring continuity of operation and avoids the potential cost of disruption of operations, and the exercise of the option is the most advantageous method of fulfilling the Government's requirement, price and other factors considered . . . all option periods were evaluated in the initial competition and are exercisable as agreed to in the task order award. The labor rates, labor mix and total task order price for the task (including options) was previously determined fair and reasonable at the basic task order award.

The Determination and Findings explains that the decision to exercise the option was based on previously determined fair and reasonable prices at the basic task order award timeframe. FAR part 8.405 states that the ordering activity is responsible for considering the level of effort and the mix of labor proposed to perform a specific task being ordered and determining that total price is reasonable. However, the initial fair and reasonable price determination that the contracting officer conducted during pre-award was inadequate due to the lack of supporting documentation provided for labor hours and labor mix; therefore, the statement that labor rates, labor mix, and total task order price was based on prior fair and reasonable price determinations conducted during basic task order award could not be supported. Of 14 purchases reviewed, 3 did not have Determination and Findings in the contract files stating that prices were fair and reasonable for exercised option years. For example, the Army Accessions Command, Air Cards purchase, in which the option year was exercised, did not have a price reasonableness determination. Of the 14 purchases that did not adequately document and support price reasonableness determinations, 7 were for base-year periods, and the other 7 purchases reviewed were for option years. The option year purchases did not meet the requirements of FAR Part 17.2, "Options."

Inadequate Contract Administration

Contract administration includes functions conducted by Government personnel from the awarding of the contract through contract termination, including the elements of surveillance and documentation of past performance. Surveillance is initiated through the nomination and the appointment of trained CORs that perform oversight responsibilities.

Furthermore, surveillance involves Government oversight of contractors for the purpose of ensuring that the contractor performs the requirements specified in the contract and the Government receives the goods or service as required. In addition, efficient and effective monitoring efforts distinguish excellent contractors from poor performing contractors, as well as mitigate contract problems.

DoD Contracting Officer's Representatives

Of the 50 purchases reviewed, the GSA contracting officers did not assign DoD personnel as CORs for 28 purchases, valued at \$128 million. DFARS Procedures, Guidance, and Information 201.6, "Career Development, Contract Authority, and Responsibilities" states contract actions for services awarded by a DoD Component or by any other Federal agency on behalf of DoD; contracting officers shall designate a properly trained COR in writing before award." Furthermore, interagency agreements for equipment purchases that did not properly designate CORs state that individuals should be appointed as CORs on those purchases. For instance, GSA officials did not appoint a DoD COR in writing for the Navy Warfare Development Command Universal Naval Task List interface support purchase. Additionally, DoD personnel should be designated as CORs as opposed to GSA representatives when DoD is accepting work, signing invoices, and performing Contract surveillance. For instance, the five Defense Acquisition University purchases designated a GSA representative as the COR, when DoD personnel were accepting the work and performing the contract surveillance.

Moreover, for 3 of the 22 purchases with designated CORs, the CORs may not have had the skills necessary to reasonably ensure that the contractor is using efficient and effective performance and cost methods. Those CORs did not provide training certificates. The COR training certificates we obtained identified several courses completed that included Basics for CORs, COR with Mission Focus, and Contracting Officer's Technical Representative Management of Information Technology Service Contracts. COR training hours ranged from 1.5 hours to 40 hours, and the completion dates of the training ranged from 1986 to 2009.

On March 29, 2010, the Under Secretary of Defense for Acquisition, Technology, and Logistics issued a memorandum, "DOD Standard for Certification of Contracting Officer's Representatives (COR) for Service Acquisitions." The memorandum establishes DoD COR certification standards that include minimum COR competencies, experience, and training according to the nature and complexity of the requirement and contract performance risk. Specifically, fixed-price and other than fixed-price contract requirements for experience and training differ due to contract performance risk. CORs are required to complete standard training courses for both fixed-price and other than fixed-price contract types, in addition to minimum COR refresher training. The memorandum directs CORs to participate in refresher training that consists of 8 hours every 3 years for fixed-price contracts and at least 16 hours every 3 years for other than fixed-price contracts. Adherence to this newly issued memorandum should adequately address the training issue. Adequately trained CORs should be aware of their duties and should recognize the importance of providing Government contract surveillance.

Surveillance Plans

Of 50 purchases reviewed, 21 did not include surveillance plans, 11 purchases had inadequate surveillance plans, and the remaining 17 purchases had adequate surveillance plans. DoD FMR volume 11A, chapter 18, states that requesting officials must establish quality surveillance plans for non-Economy Act orders that exceed the simplified acquisition threshold and ensure execution that would boost oversight of goods and services. The surveillance plans should include requirements for documenting acceptance of goods received or services performed, processes for receipt and review of receiving reports and invoices, and reconciliation of receiving reports and invoices. FAR Part 46.4, "Government Contract Quality Assurance," states that surveillance plans should specify all work requiring surveillance and the method of surveillance.

Surveillance Efforts for Goods and Services

The lack of surveillance plans did not provide assurance that supplies and services conform to contract requirements. For instance, the Defense Commissary Agency did not officially designate a DoD COR for the heating, ventilation, and air conditioning purchase until 10 months after contract award. Additionally, Defense Commissary Agency personnel did not have an adequate surveillance plan for goods, as required by DoD FMR volume 11A, chapter 18, but stated that the receiving report (DD Form 250) was signed after the work performed had been inspected. However, Defense Commissary Agency personnel were unable to provide receiving reports that covered approximately 90 percent of the purchase. DoD receiving personnel should ensure that supplies are inspected and accepted prior to their use. FAR part 46.4 states that Government inspection requires documentation on an inspection/receiving report form or commercial shipping document/packing list. A signature on the inspection/receiving document provides evidence of acceptance. If Government monitoring and inspections of goods are not properly performed, it could result in the payment of goods that may not comply with contract terms.

In another instance, the SAF/AQXR procured technical support for the Center for Reengineering and Enabling Technology. The DoD COR did not have a quality assurance surveillance plan (QASP) or list of surveillance duties, and he stated that oversight involves attending weekly meetings with the contractor and reviewing monthly status reports. Furthermore, the DoD COR admitted that the June 2009 monthly status report was obtained the morning of the auditors' visit in September 2009. Therefore, before the auditors' visit in September 2009, there were no monthly status reports received between June and August 2009. The DoD COR mentioned that the person assigned as the Resource Manager/contracting officer's technical representative is responsible for approving invoices. The Resource Manager/contracting officer's technical representative authorized funding and approved invoices; therefore, key processes were not properly segregated, which increased the risk of fraud and errors.

At the Naval Meteorology and Oceanography Command, the Algorithm Development and Installation purchase did not include an adequate QASP that included all work requiring surveillance and the method of surveillance. The method of surveillance should focus on how the work requiring surveillance will be evaluated. The DoD COR stated

that the assigned program manager monitors the contractor. However, the supposed program manager for the purchase stated that a former program manager, who no longer worked for the Navy, was responsible for monitoring the contract action. Further, discussions with the COR revealed that the former program manager, who left months earlier, had an incomplete surveillance file. COR surveillance documentation provided for the contract action was boilerplate and did not provide sufficient information on contractor performance. More accountability among surveillance personnel is essential to properly monitor contracts.

Of 50 purchases reviewed, 21 purchases did not have an assigned DoD COR or a surveillance plan in the contract file. These purchases were particularly difficult to monitor because the initial steps necessary to adequately monitor the purchases were not put in place. The COR should be identified early in the acquisition cycle and included in pre-award activities when appropriate.

Invoices

For 17 of 35 purchases, DoD officials did not ensure that invoices were adequate. Part of the COR's responsibility was to review invoices to ensure that DoD obtained what it paid for. Invoices were vague and did not include detailed costs. For example, the invoice for the Battle Command Battle Lab-Fort Huachuca Modeling and Simulation purchase did not contain detailed information regarding labor categories as required by FAR Part 32.905, "Payment Documentation and Process." The labor deliverables total was \$75,504, but the invoice did not categorize the labor into rates. The lack of detailed information would make it difficult for the COR to ensure that the Government received what it paid for. In another example, the Defense Manpower Data Center personnel did not have an adequate invoice for the Telos Task 4 purchase. The invoice was not consistent with the contractor's price proposal. The equipment listed in the invoice was not listed in the proposal. Therefore, we were unable to determine whether the two rates were consistent.

FAR part 32.905 states that invoices should include the description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed. Moreover, the OFPP, "Improving the Management and Use of Interagency Acquisitions," memorandum states that the requesting agency generally examines contractor invoices for completeness and accuracy; improper invoices should be returned to the contractor.

Past Performance

For 28 of 50 purchases reviewed,⁷ DoD organizations did not collect past performance information as required by DoD policy. Past performance information is a tool used to provide feedback to contractors on actual contractor performance that can be used for future source selections. The June 6, 2008, OFPP memorandum, which DoD helped develop and mandates its use for interagency acquisitions in excess of \$500,000, assigns responsibilities for the recording of contractor's past performance. Specifically, the

⁷Six purchases reviewed did not meet the threshold that requires past performance information be collected.

OFPP memorandum states that the requesting agency should track, measure, and report a contractor's performance to the servicing agency. The memorandum also states that the servicing agency handles contractor performance evaluations that are based on the data provided by the requesting agency. The servicing agency should input past performance evaluations into the Past Performance Information Retrieval System (PPIRS). Furthermore, the January 18, 2008, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum, "Interagency Acquisition," states that the assisting agency, in this case GSA, should evaluate the contractor's performance and capture information in the past performance information database. The assisting and requiring activities' teamwork and coordination are critical to successfully completing contractor past performance assessments.

However, DoD organizations did not always collect and provide past performance information to GSA officials. For example, a DoD official stated that he does not collect past performance information for current contracts. Instead, the DoD official stated that he collects past performance information after contract closeout. This is normally up to 5 years after contract award, including options. The November 27, 2007, Office of the Under Secretary of Defense, Director, Defense and Acquisition Policy memorandum, "Past Performance Information," clearly states that past performance information must be collected for all performance periods when procurements exceed the DoD-established dollar thresholds, not just contract closeout. Moreover, DoD policy states that if the total contract value including unexercised options and orders is expected to exceed the collection threshold, the data collection process must be initiated at the beginning of the contract.

In other instances, DoD officials stated that they do not collect past performance information because it is a GSA responsibility. For those cases, the duties were not clearly delineated; therefore, DoD officials did not collect past performance for future use. Although the memorandum of agreement between DoD and GSA for interagency contracting support does not specify who is responsible for the collection of past performance data, the document does explain that DoD and GSA will work together to ensure that past performance is documented in a timely and proper manner. DoD and GSA officials should adhere to the OFPP guidance on Part A that specifies the requiring and servicing agencies' past performance responsibilities.

Lack of Interagency Contracting Accountability

Interagency contracting issues persist because DoD and GSA officials have not emphasized accountability for interagency acquisition requirements. In December 2006, the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics and the GSA Chief Acquisition Officer signed the memorandum of agreement between DoD and GSA. This agreement broadly covers some areas addressed in the report. Specifically, it requires DoD and GSA to develop standardized content for interagency agreements. DoD and GSA officials must use the OFPP guidance to meet this requirement. The OFPP guidance establishes that interagency agreements should have a Part A and a Part B that are signed by the requiring organization.

Though OFPP guidance on interagency contracting includes areas mentioned throughout the report (acquisition planning, contracting officer review, CORs appointment, surveillance plans, and past performance), most areas are also discussed in Part A of the interagency agreements. Regarding the use of GSA, Part A of the interagency agreement is much broader and applies to multiple purchases. It is not specific to the purchase.

Part B of the interagency agreement is specific to the particular purchase and encompasses funding. The requesting office signs Part B of the interagency agreement for DoD organizations. The funding personnel coordinated with the requirement holders to prepare and forward MIPRs to the servicing agency.

As stated previously, funding issues significantly decreased since the last GSA interagency audit. Requiring problematic areas to be specifically addressed in Part B of the interagency agreement will help to ensure that DoD personnel and the servicing agency have considered the upfront planning of the acquisition. In our opinion, the interagency agreement should address:

- acquisition planning (GSA/DoD delineated responsibilities that include market research and best interest determinations made by DoD),
- DoD contracting officer reviews,
- MIPR preparation,
- price reasonableness determinations,
- appointment of CORs,
- surveillance plan preparation and adherence,
- review of invoices (ensure labor categories are accurate, invoices are detailed as required by the FAR, and hours are worked), and
- past performance information collection and how it is provided to the serving agency.

Part B should include for each area a summary of the work that should be done and the responsible official from DoD or GSA or both for the area. These individuals should sign the agreement to ensure accountability. Personnel will then know that they are responsible for all the duties relating to a specific area. Requiring personal accountability should reduce the problems identified in the report.

Both DoD and GSA officials were responsible for the contracting problems previously mentioned. For example, DoD officials should ensure that the GSA contracting officer has nominees' information to assign qualified personnel as CORs on purchases, as required by Part A of the interagency agreement. If a DoD organization does not nominate a COR, the GSA contracting officer should request an individual to serve as a COR and provide the representative with a COR letter as required by the DFARS subpart 201.6. The addition of these specific details in Part B of the interagency agreement will help to ensure that the responsible official is aware of the requirements, such as the assignment of CORs or providing contractor evaluations for past performance systems, when beginning the acquisition process.

Conclusion

DoD should continue to use GSA to purchase goods and services when in DoD's best interest. GSA contracting officials and DoD resource management officials generally complied with the FAR and appropriation law on the use of appropriated funds for interagency acquisitions. GSA Client Support Centers have made improvements since the last audit. However, DoD organizations showed little improvement in some areas since our last audit. The majority of DoD purchases reviewed had inadequate MIPR

DoD organizations showed little improvement in some areas since our last audit.

preparation, did not have or had inadequate interagency agreements, did not have or had inadequate acquisition planning, no DoD contracting officer review, no COR

designations, did not have or had inadequate surveillance plans, and no record of past performance information.

These issues have been identified repeatedly in reports. DoD IG Report No. D-2005-096, "DOD Purchases Made Through the General Services Administration," July 29, 2005, identified inadequate acquisition planning, lack of or inadequate interagency agreements, use of incorrect appropriations, and no audit trails. The second DoD IG report, issued in 2007, also identified those problems and issues with DoD COR designations, surveillance plans, and past performance. Further, the DoD IG issued numerous reports on other non-DoD agencies that identify these issues.

DoD and GSA officials have successfully strengthened internal controls to resolve

In recent years, GSA officials have returned funds of approximately \$860 million that consist of expired funds and funds that were no longer required for purchases.

previously identified bona fide need funding problems. However, DoD and GSA officials need to further improve their interagency contracting practices

that include acquisition planning, price reasonableness determinations, and contract administration. Though addressed in the various memoranda of agreement and interagency agreements between DoD and GSA, these areas continue to have problems. Both agencies should ensure interagency agreements include roles and responsibilities that are clearly delineated to GSA and DoD acquisition personnel. Adequate acquisition planning helps ensure that using a non-DoD contracting office is in the best interest of the Government. Additionally, DoD organizations must comply with DoD regulations when preparing MIPRs and tracking funds. In recent years, GSA officials have returned funds of approximately \$860 million that consist of expired funds and funds that were no longer required for purchases. Considering other events that are occurring within DoD, these funds could be put to better use.

GSA and DoD must work together to determine and document that prices paid for purchases are fair and reasonable. Interagency audits continue to identify contract administration issues that include the lack of COR letters and insufficient surveillance. These systematic issues increase Government susceptibility to contract mismanagement, contract overcharges, and excessive spending. Government contracts without a surveillance plan increase the potential for confusion and misinterpretation when

surveillance personnel conduct reviews. DoD personnel must prepare surveillance plans, document their surveillance efforts, and demonstrate adequate monitoring of contractor performance. Without surveillance documentation, it will be difficult to convince a contractor that performance improvement is needed. DoD adherence to those surveillance procedures will increase the likelihood that services and equipment conform to contract requirements. DoD officials further strengthening internal controls and making personnel accountable can increase the probability that DoD receives the best value.

Management Comments on the Finding and Our Response

Defense Human Resource Activity Comments

The Director, Defense Human Resource Activity, responding on the behalf of the Defense Manpower Data Center, provided comments and partially agreed with the finding. Specifically, the Director stated that in accordance with DFARS PGI 201.602-2 (i) (A) and FAR 46.401(a), a DoD COR letter and surveillance plan were not required for the Rules Inference Software purchase of goods. The Director added that for the Telos Task 4 purchase, the price reasonableness determination was the GSA contracting officer's responsibility and not that of Defense Human Resource Activity, and a surveillance plan was completed. The Director disagreed that the Defense Manpower Data Center inadequately prepared MIPRs and interagency agreements for the Software Development Support, Rules Inference Software, and Hi-End Architecture Support purchases. The Director stated that the MIPRs were properly referenced and that the interagency agreements were in compliance with the current guidance. Finally, the Director stated that the Defense Human Resource Activity has implemented an interagency agreement review process that includes a review of all MIPRs.

Our Response

We agree that for two purchases, Software Development Support and High-End Architecture Support, the interagency agreements were adequate. However, to avoid confusion, we advise removing the word "Draft" from future final signed interagency agreements. We also agree that a surveillance plan was prepared for the Telos Task 4 purchase. We corrected the report accordingly. In addition, we agree, as noted in the draft report, that the price reasonableness determination was the responsibility of GSA. However, we maintain that a COR designation letter and a surveillance plan were required for the purchase of goods. All purchases reviewed should have complied with DoD FMR volume 11A, chapter 18, section 180401, which requires a quality surveillance plan for all goods and service acquisitions over the simplified acquisition threshold. Section 180401 states that the requesting official should ensure the execution of the quality surveillance plan to facilitate the oversight of the goods provided. In addition, the interagency agreement for this goods purchase provided to us and signed by a Defense Manpower Data Center official states that the client, the Defense Manpower Data Center, will designate a representative to be appointed as COR for each requirement submitted to GSA Federal Acquisition Service. Although not required by DFARS and

FAR, we believe that a COR should be designated to execute the surveillance plan required by the FMR for the acquisition of goods.

We disagree that some of the MIPRs and interagency agreements noted in the report as inadequate are adequate. Although many of the MIPRs reviewed included most of the information required, some were incomplete. Specifically, the MIPRs did not include the statement on funding required for all goods and services acquisitions by DoD FMR volume 11A, chapter 18, section 180203. Any MIPR that did not include the applicable statement was incomplete; and therefore, we considered it inadequate for the purchase.

We maintain that the interagency agreement for the Rules Inference Software was inadequate. We recognize that Defense Manpower Data Center officials sought advice on this interagency agreement from the DoD Office of Under Secretary of Defense for Acquisition, Technology, and Logistics, Defense Procurement and Acquisition Policy. However, Defense Manpower Data Center officials should comply with the June 2008 OFPP guidance on interagency acquisitions, which requires a Part A and a Part B for all interagency agreements. Furthermore, the interagency agreement Part A, provided and signed by Defense Manpower Data Center official for this purchase, states that a Part B with specific order information will be prepared and signed for this purchase. Therefore, Defense Manpower Data Center officials should have complied with the interagency agreement.

GSA Federal Acquisition Service Comments

Although not required to comment, the Commissioner, GSA Federal Acquisition Service, provided comments and agreed with the finding and conclusion of the draft report. The Commissioner stated that GSA has made significant improvements in the last couple of years to support DoD needs and to strengthen administrative contracting and oversight practices. The Commissioner added that, based on recommendations from our previous audits, GSA-Assisted Acquisition Services places more emphasis on internal consistency and oversight. The Commissioner stated that an internal peer review process will be established to enhance the levels of management control. In addition, the Commissioner stated that GSA has been providing ongoing training to the acquisition services workforce to ensure they understand the specific needs and requirements of DoD. The Commissioner added that these steps will preserve the improvements noted in this audit, and additional changes will be implemented in FY 2011. Finally, the Commissioner stated, as the draft report states, that GSA returned approximately \$860 million to DoD from FY 2007 through 2009.

Recommendations, Management Comments, and Our Response

Based on management comments received from the Air Force and Navy, we revised recommendation 3.

1. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics work with General Service Administration officials to enhance Part B of the interagency agreements to address problems identified in this report, including acquisition planning, audit trails, preparing military interdepartmental purchase requests, DoD contracting officer review, competition, price reasonableness determinations, contracting officer's representative letters, surveillance plans, and past performance. Further, the agreements should list the specific DoD and General Service Administration personnel who will be responsible for the areas and these individuals should sign Part B of interagency agreements accepting the responsibility.

Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments

The Director, Defense Procurement and Acquisition Policy, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics, agreed. The Director stated that DoD is collaborating with the Office of Federal Procurement Policy and other civilian agencies in reviewing the current standardized interagency agreement format to identify necessary improvements. The Director added that the revised standardized agreement is expected in FY 2011.

GSA Federal Acquisition Service Comments

Although not required to comment, the Commissioner, GSA Federal Acquisition Service, agreed with the recommendation with one clarification on Recommendation 1. The Commissioner stated that GSA assumes that the Directors of the respective GSA client support centers are the responsible personnel for signing the interagency agreements. Finally, the Commissioner stated that GSA will work with the Under Secretary of Defense for Acquisition, Technology, and Logistics to improve Part B of the interagency agreements to address any remaining issues noted in the report.

Our Response

The comments are responsive, and no further comments are required.

2. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer direct the DoD Components to initiate preliminary reviews to determine whether the improper use of Government funds for the three purchases resulted in Antideficiency Act Violations or other funding violations in accordance with DoD 7000.14-R, "DOD Financial Management Regulation."

Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

The Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller), partially agreed. The Deputy Chief Financial Officer agreed that preliminary reviews must be performed. The Deputy Chief Financial Officer requested that the Defense Acquisition University, Navy, and Air Force initiate preliminary reviews

on September 3, 2010, but requests for future preliminary reviews should be addressed directly to the Components.

Our Response

The comments are responsive, and no further comments are required.

3. We recommend that the Under Secretaries of the Army, Navy, Air Force, and Directors of the Defense agencies establish a peer review or comparable procedural process for the requesting organization to verify that interagency contracting practices adhere to the Federal Acquisition Regulation and DoD guidance. Areas to be reviewed include, but are not limited to: acquisition planning, interagency agreements, military interdepartmental purchase request preparation, DoD contracting office approval, contracting officer's representative designations, surveillance plans, and past performance input.

Under Secretary of the Army Comments

The Under Secretary of the Army did not comment on the recommendation. We request that the Under Secretary provide comments in response to the final report.

Under Secretary of the Navy Comments

The Director, Program Analysis and Business Transformation, responding for the Under Secretary of the Navy, partially agreed. The Director agreed that there should be procedures to ensure that interagency acquisition practices comply with applicable regulations and guidance but stated that a peer review is not appropriate because it would be excessive, expensive, and burdensome. Instead, the Director recommended that interagency acquisition policies, procedures, and internal controls be a focus in periodic activity command inspections, performance management assessments, and similar reviews.

Under Secretary of the Air Force Comments

The Associate Deputy Assistant Secretary (Contracting) and Assistant Secretary (Acquisition), responding for the Under Secretary of the Air Force, partially agreed and stated that the Air Force has a multifunctional team review, contract clearance review, and compliance inspection process to ensure that interagency contracting practices adhere to the FAR and DoD guidance. However, the Assistant Secretary stated that applying additional peer review procedures to include reviews conducted for or by organizations outside of the Air Force for interagency acquisitions would be excessive, expensive, administratively burdensome, and not beneficial. The Assistant Secretary further stated that the processes that the Air Force has in place for the oversight of interagency contracting are sufficient and appropriate.

Defense Commissary Agency Comments

The Acting Chief, Internal Audit, responding for the Director, Defense Commissary Agency, agreed. The Acting Chief stated that the agency looks forward to joining the

Under Secretaries and Directors of DoD agencies to establish a peer review process to support the interagency agreement process.

Defense Contract Management Agency Comments

The Executive Director, Contracts, responding for the Director, Defense Contract Management Agency, agreed. The Director stated that the Defense Contract Management Agency currently has a peer review process to ensure that the agency complies with the FAR, DFARS, and DoD policies. The Director added that the agency requires that all interagency acquisitions be reviewed and approved by Legal Counsel, a Procurement Center Contracting Officer, and the Executive Director, Contracts, before an interagency purchase is made. Finally, the Director stated that the Defense Contract Management Agency Procurement Policy recently conducted a procurement management review of MIPRs issued and will continue to conduct an annual review for compliance.

Defense Human Resource Activity Comments

The Director of the Defense Human Resource Activity agreed and stated that the Defense Human Resource Activity established a procurement support office on October 8, 2009, to perform peer reviews for its interagency agreements and to help to find solutions to the issues with the interagency acquisition packages.

Defense Intelligence Agency Comments

The Chief of Staff, responding for the Director, Defense Intelligence Agency, agreed and stated that the Defense Intelligence Agency is issuing a comprehensive acquisition peer review plan for contracting through the GSA.

Other Defense Agencies

The Directors of the Missile Defense Agency, Defense Advanced Research Projects Agency, Defense Contract Audit Agency, Defense Finance and Accounting Service, Defense Information Systems Agency, Defense Legal Services Agency, Defense Logistics Agency, Defense Security Cooperation Agency, Defense Security Services, National Geospatial-Intelligence Agency, and National Security Agency/Central Security Services did not comment on the recommendation. We request that the Directors provide comments in response to the final report.

Our Response

The DoD organizations that commented had varying degrees of review processes. Based on the comments, we revised the recommendation to state that “a peer review or comparable procedural process” be used to oversee the interagency acquisition process. Although the Navy and the Air Force did not fully agree with our draft report recommendation, we believe that their approach is acceptable in meeting the intent of the recommendation. Accordingly, no further comments are required. The Army did not respond and we request comments from the Under Secretary. Further, we request comments from all the Directors of Defense Agencies that did not respond.

Appendix A. Scope and Methodology

We conducted this performance audit from July 2009 through August 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This audit was a joint review conducted by the DoD OIG and GSA OIG. The audit addressed the requirements of section 801, “Internal Controls for Procurements on Behalf of the Department of Defense by Certain Non-Defense Agencies,” Public Law 110-181, “National Defense Authorization Act for Fiscal Year 2008,” January 28, 2008. The overall objective of the audit was to determine whether DoD and GSA improved their interagency purchasing practices since our last audit, “FY 2005 DoD Purchases Made Through the General Services Administration.”

We visited 10 DoD organizations and reviewed 50 purchases, valued at \$255 million. The GSA OIG provided data on all DoD purchases made from June 1, 2008, through September 30, 2009. We determined which DoD organizations were the highest dollar-value users of GSA to decide the 10 DoD organizations to visit. We selected the purchases based on their high dollar values and purchases made near the fiscal year end. The Army organizations visited include the Army Recruiting Command and Army Accessions Command, and Battle Command Battle Lab-Fort Huachuca. The Navy organizations visited include the Naval Meteorology and Oceanography Command and Navy Warfare Development Command. The Air Force organizations visited include the Office of the Secretary of the Air Force and Air Force Civil Engineer Support Agency. The remaining Defense organizations include the Defense Acquisition University, Defense Commissary Agency, Defense Manpower Data Center, and the U.S. Central Command. The 50 purchases made at the 10 DoD locations covered 7 GSA regions (1, 3, 4, 7, 8, 9, and the National Capital Region). The seven regions account for 81 percent of the total dollar amount of DoD purchases made through GSA.

For each DoD organization, we selected four to six high-value purchases, ranging from \$100,000 to \$57 million. We reviewed documentation maintained by the DoD organizations and GSA contracting officers to support purchases made through GSA. The documents reviewed included contract actions, amendments and modifications, MIPRs and acceptances, triannual obligation reviews, invoices, acquisition plans, statements of work, QASPs, interagency agreements, COR letters, past performance information, independent Government cost estimates, price reasonableness determinations, and miscellaneous correspondence. We interviewed DoD officials responsible for issuing the MIPRs, the DoD contracting officer, the officials from the program office who initiated the related purchases, the COR responsible for surveillance of contractor performance, and in some cases, the GSA contracting officer. We reviewed a total of 35 contracts through 3 GSA regions to determine whether the invoices were adequate and if the rates were consistent with the rates on the vendors’ proposals.

At each DoD organization visited, our review included the following.

- We determined whether DoD activities had internal controls in place for ensuring that the proper types of funds and proper year funds were used for DoD MIPRs sent to GSA, whether DoD officials tracked funds sent to GSA, and whether differences between DoD MIPRs and related contract actions were reconciled.
- We determined whether DoD requiring activities had internal controls in place for defining requirements and planning acquisitions for purchases awarded on GSA contracts.
- We determined whether DoD contracting activities were following established procedures for approving purchases made through the use of contracts awarded by GSA. Specifically, we determined whether DoD contracting officers were involved in planning purchases of more than \$500,000 when using GSA.
- We determined whether GSA and DoD officials established procedures for monitoring contractor's performance for DoD purchases awarded by GSA. For each purchase reviewed, we determined whether a DoD representative was assigned as the COR and signed a document accepting the contractor's work.

Further, we visited 3 GSA regions and reviewed 35 of the 50 purchases, valued at \$203 million. The GSA regions include Region 3, Philadelphia; Region 4, Atlanta; and Region 9, San Francisco. These three regions account for 57 percent of DoD business at GSA. We selected the regions based on the DoD organizations we visited and the regions those DoD organizations used.

At each GSA Region visited, our review included the following.

- We determined whether GSA officials adequately competed DoD purchases according to the FAR and DFARS. For each sole-source award, we determined whether the GSA contracting officer prepared a Justification and Approval for other than full and open competition that adequately justified the sole-source award.
- We determined whether the GSA contracting officers adequately documented that the prices paid for DoD purchases were fair and reasonable.

Use of Computer-Processed Data

The GSA OIG provided spreadsheets with the universe of DoD purchases for all purchases made after June 1, 2008 through FY 2008 and all of FY 2009 purchases. From the spreadsheets, we judgmentally selected high-value MIPRs for our review. We did not assess the reliability of the GSA-furnished data during this audit. In addition, we obtained contract and funding documentation related to each of the purchases from GSA Information Technology Solutions Shop. We did not assess the reliability of the GSA Information Technology Solutions Shop system as the audit was to determine whether DoD and GSA improved interagency purchasing practices, not to review systems used in the process.

We did not assess the accuracy of the past performance information systems used within DoD, GSA, or the Government-wide Past Performance Information Retrieval System, which is the official past performance system for compiling data on contractor performance used throughout the Federal Government. We did not assess the accuracy of the systems as the audit was to determine whether DoD and GSA improved interagency purchasing practices, not to review systems used in the process.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), DoD IG, the Army Audit Agency, and the GSA IG have issued 27 reports discussing interagency acquisitions. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov/>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains over the Internet at <https://www.aaa.army.mil/>. GSA OIG reports can be accessed at <http://www.gsaig.gov/auditreports.cfm>.

GAO

GAO Report No. GAO-10-367, “Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts,” April 2010

GAO Report No. GAO-09-271, “High-Risk Series: An Update,” January 2009

GAO Report No. GAO-08-1063, “DOD Financial Management: Improvements Are Needed in Antideficiency Act Controls and Investigations,” September 2008

GAO Report No. GAO-06-996, “Interagency Contracting: Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks,” September 2006

DoD IG

DoD IG Report No. D-2009-064, “FY 2007 DoD Purchases Made Through the National Institutes of Health,” March 24, 2009

DoD IG Report No. D-2009-043, “FY 2007 DoD Purchases Made Through the U.S. Department of Veterans Affairs,” January 21, 2009

DoD IG Report No. D-2008-122, “Follow-up on DoD Purchases Made Through the Department of the Interior,” August 18, 2008

DoD IG Report No. D-2008-082, “Summary Report on Potential Antideficiency Act Violations Resulting From DoD Purchases Made Through Non-DoD Agencies (FY 2004 Through FY 2007),” April 25, 2008

DoD IG Report No. D-2008-066, “FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior,” March 19, 2008

DoD IG Report No. D-2008-050, “Report on FY 2006 DoD Purchases Made Through the Department of the Treasury,” February 11, 2008

DoD IG Report No. D-2008-036, “FY 2006 DoD Purchases Made Through the U.S. Department of Veterans Affairs,” December 20, 2007

DoD IG Report No. D-2008-022, “FY 2006 DoD Purchases Made Through the National Institutes of Health,” November 15, 2007

DoD IG Report No. D-2007-098, “The Use and Control of Intragovernmental Purchases at the Defense Intelligence Agency,” May 18, 2007

DoD IG Report No. D-2007-044, “FY 2005 DoD Purchases Made Through the Department of the Interior,” January 16, 2007

DoD IG Report No. D-2007-042, “Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies,” January 2, 2007

DoD IG Report No. D-2007-032, “Report on FY 2005 DoD Purchases Made Through the Department of the Treasury,” December 8, 2006

DoD IG Report No. D-2007-023, “FY 2005 DoD Purchases Made Through the National Aeronautics and Space Administration,” November 13, 2006

DoD IG Report No. D-2007-007, “FY 2005 DoD Purchases Made Through the General Services Administration,” October 30, 2006

DoD IG Report No. D-2005-096, “DoD Purchases Made Through the General Services Administration,” July 29, 2005

Army

U.S. Army Audit Agency Report No. A-2009-0016-FFH, “Acquisitions Made Using Military Interdepartmental Purchase Requests, U.S. Army Medical Command,” November 17, 2008

U.S. Army Audit Agency Report No. A-2007-0096-FFH, “Proper Use of Non-DOD Contracts, U.S. Army Medical Command,” March 22, 2007

GSA IG

GSA IG Report No. A090139/A/A/P10011, “Review of the Federal Acquisition Service's Client Support Centers,” September 17, 2010

GSA IG Report No. A090139/Q/7/P10006, “Review of the Federal Acquisition Service's Client Support Center Greater Southwest Region,” June 7, 2010

GSA IG Report No. A090139/Q/3/P10003, “Review of the Federal Acquisition Service's Client Support Center Mid-Atlantic Region,” June 4, 2010

GSA IG Report No. A090139/Q/W/P10005, “Review of the Federal Acquisition Service’s Client Support Center National Capital Region,” June 4, 2010

GSA IG Report No. A090139/Q/4/P10004, “Review of the Federal Acquisition Service’s Client Support Center Southeast Sunbelt Region,” June 4, 2010

GSA IG Report, “Compendium of Audits of Federal Technology Service Client Support Center Controls,” September 29, 2006

Appendix C. Identified Contracting Problems

DoD Activity	Purchase	Inadequate /No Acquisition Planning	Inadequate Competition	Inadequate Price Reasonableness Determination	No DoD COR Letter	No DoD Collecting of Past Performance	Inadequate/No Surveillance Plan
Army							
1) Battle Command Battle Lab	1) ISR Synchronization Tool Develop					•	Inadequate
	2) Modeling and Simulation Support					•	
	3) High-Speed Internet Protocol Packet Inspection Engines	•	S. Source- Adq.			•	
	4) University of Military Intelligence Information Technology Support				•	•	Inadequate
	5) Constant Look		S. Source- Adq.	•		•	
2) U.S. Army Recruiting Command and Army Accessions Command	6) Partnership for Youth Success Program Information Technology USAREC	•		•		•	•
	7) Air Cards Army Accessions Command	•		•	•	•	
	8) Information Technology System Support Services	Inadequate				•	
	9) Data Warehouse Modelers Army Accessions Command	•			•	•	
	10) Site-Specific Telecommunications Support					•	inadequate
Navy							
3) Naval Meteorology and Oceanography Command	11) Voice Over Internet Protocol Equipment	Inadequate	S. Source- Adq.	•	•	N/A	•
	12) Ancillary Equipment I				•	N/A	•
	13) IT & Integration Support	•	•	•		•	Inadequate
	14) SL8500 and Tape Cartridges	•	•	•	•	N/A	•
	15) Ancillary Equipment II			•	•	N/A	•
4) Navy Warfare Development Command		•	N/R	N/R	•		Inadequate
	16) Universal Naval Task List						
	17) Professional Engineering Services	•	N/R	N/R			•
	18) CONOPS & Joint Concept Development & Experiment Engineering/Analysis	•	N/R	N/R	•	Note 1	Inadequate
	19) Fleet Battle Experiments Development and Planning	•	N/R	N/R		Note 1	•
Air Force							
5) Secretary of the Air Force	20) Integrated Budget Documentation and Execution System Support Sustainment	•	N/R	N/R		•	•
	21) Center for Reengineering & Enabling Technology	•	N/R	N/R	•		•
	22) Integrated Budget Documentation and Execution System Modernization	•	N/R	N/R	•	•	•
	23) SMART	•	N/R	N/R	•	•	•
	24) Air Force Technical and Analytical Support	•	N/R	N/R	•	•	•
	25) Support for IT Transformation	•	N/R	N/R	•	•	•

DoD Activity	Purchase	Inadequate / No Acquisition Planning	Inadequate Competition	Inadequate Price Reasonableness Determination	No DoD COR Letter	No DOD Collecting of Past Performance	Inadequate/ No Surveillance Plan
Air Force							
6) Air Force Civil Engineer and Support Agency	26) Self Contained Breathing Apparatus	•	S. Source- Adq.	•	•	•	•
	27) GPS Equipment Replacement	•	S. Source- Adq.		•	•	•
	28) Utilities Privatization			•		•	
	29) Firefighter ABUs	•	S. Source- Adq.	•	•	•	•
	30) EESOH	•				•	
Defense Agencies							
7) Defense Acquisition University	31) Courseware development	•			•		Inadequate
	32) LMS Support	•	•	•	•		Inadequate
	33) Distance learning	•		•	•	Note 1	•
	34) Knowledge Management Support	•			•		Inadequate
	35) Learning Asset Development Sustainment	•			•	Note 1	
8) Defense Commissary Agency	36) Roof Repair	•	N/R	N/R		•	•
	37) HVAC 1	•	N/R	N/R	•	•	Inadequate
	38) HVAC 2	•	N/R	N/R	•	N/A	
	39) Facilities Maintenance		N/R	N/R		•	
	40) PMAC	•	N/R	N/R		Note 1	•
DOD Field Activities							
10) Defense Manpower Data Center	41) Software Development Support					Note 1	
	42) Rules Inference Software	Inadequate			•	N/A	•
	43) Hi-End Architecture Support						
	44) Telos Task 1						
	45) Telos Task 4 - IT Hardware						
Unified Combatant Commands							
9) U.S. Central Command	46) Joint Capabilities Technology Demonstration	•			•	•	
	47) Polling and Focus Group Research	•				•	
	48) Joint Training System Support	•			•		
	49) Facilities Maintenance Command Forward HQ			•		•	Inadequate
	50) Software License Agreement	•	•	•	•	•	•
10 DOD Activities	50 Purchases Reviewed	3 Inadequate 33 No	4 Inadequate	14 Inadequate	28 No	28 No 6 N/A	11 Inadequate 21 No

See the Glossary for a list of abbreviations, acronym definitions, and notes.

Appendix D. Identified Funding Problems

DoD Activity	Purchase	Purchase Reviewed at DOD	Purchase Reviewed at GSA	Incorrect Appropriation	No Audit Trail	Inadequate MIPR Preparation	Inadequate/No Interagency Agreement
Army							
1) Battle Command Battle Lab	1) ISR Synchronization Tool Develop	•	•			•	Inadequate
	2) Modeling and Simulation Support	•	•			•	
	3) High-Speed Internet Protocol Packet Inspection Engines	•	•			•	•
	4) University of Military Intelligence Information Technology Support	•	•			•	
	5) Constant Look	•	•			•	Inadequate
2) U.S. Army Recruiting Command and Army Accessions Command	6) Partnership for Youth Success Program Information Technology	•	•			•	Inadequate
	7) Air Cards	•	•				Inadequate
	8) Information Technology System Support Services	•	•			•	Inadequate
	9) Data Warehouse Modelers	•	•				•
	10) Site-Specific Telecommunications Support	•	•			•	Inadequate
Navy							
3) Naval Meteorology and Oceanography Command	11) Voice Over Internet Protocol [VOIP] Equipment	•	•			•	
	12) Ancillary Equipment I	•	•		•	•	
	13) IT & Integration Support	•	•				Inadequate
	14) SL8500 and Tape Cartridges	•	•			•	Inadequate
	15) Ancillary Equipment II	•	•	•	•	•	
4) Navy Warfare Development Command	16) Universal Naval Task List	•					Inadequate
	17) Professional Engineering Services	•					Inadequate
	18) CONOPS & Joint Concept Development & Experimentation Engineering/Analysis	•					Inadequate
	19) Fleet Battle Experiments Development and Planning	•				•	Inadequate
Air Force							
5) Secretary of the Air Force	20) Integrated Budget Documentation and Execution System Support Sustainment	•				•	Inadequate
	21) Center for Reengineering & Enabling Technology	•			•	•	•
	22) Integrated Budget Documentation and Execution System Modernization	•		•	•	•	Inadequate
	23) SMART	•			•	•	•
	24) Air Force Technical and Analytical Support	•				•	•
	25) Support for IT Transformation	•			•	•	•

DOD Activity	Purchase	Purchase Reviewed at DOD	Purchase Reviewed at GSA	Incorrect Appropriation	No Audit Trail	Inadequate MIPR Preparation	Inadequate/No Interagency Agreement
6) Air Force Civil Engineer and Support Activity	26) Self Contained Breathing Apparatus	•	•		•	•	
	27) GPS Equipment Replacement	•	•			•	
	28) Utilities Privatization	•	•		•		Inadequate
	29) Firefighter ABUs	•	•			•	
	30) EESOH	•	•		•		
Defense Agencies							
	7) Defense Acquisition University						
	31) Courseware Development	•	•	•		•	Inadequate
	32) LMS Support	•	•			•	Inadequate
	33) Distance Learning	•	•			•	Inadequate
	34) Knowledge Management Support	•	•			•	Inadequate
	35) Learning Asset Development Sustainment	•	•			•	Inadequate
	36) Roof Repair	•	•			•	Inadequate
	37) HVAC 1	•	•			•	Inadequate
	38) HVAC 2	•	•			•	Inadequate
	39) Facilities Maintenance	•	•			•	Inadequate
	40) PMAC	•	•				Inadequate
DOD Field Activities							
	9) Defense Manpower Data Center						
	46) Software Development Support	•	•			•	
	47) Rules Inference Software	•	•			•	Inadequate
	48) Hi-End Architecture Support	•	•			•	
	49) Telos Task 1	•	•			•	
	50) Telos Task 4 - IT Hardware	•	•				
Unified Combatant Commands							
	41) Joint Capabilities Technology Demonstration	•	•			•	
	42) Polling and Focus Group Research	•	•			•	
	43) Joint Training System Support	•	•				
	44) Facilities Maintenance Command Forward HQ	•	•			•	
10 DoD Activities	45) Software License Agreement	•	•			•	
	50 Purchases	50 DOD	35 GSA	3 Incorrect	9 No	39 Inadequate	25 Inadequate 6 No

See the Glossary for a list of abbreviations, acronym definitions, and notes.

Glossary

Abbreviations

N/A - Not Applicable

N/R - Not Reviewed

S. Source-Adq. - Sole Source Adequate

Acronyms

ABU - Airman Battle Uniform

CONOPS - Concept of Operations

EESOH - Enterprise Environmental Safety and Occupational Health Management System

GPS - Global Positioning System

HQ - Headquarters

HVAC - Heating, Ventilation, and Air Conditioning Service

ISR - Intelligence, Surveillance, and Reconnaissance

IT - Information Technology

LMS - Learning Management System

PMAC - Program Management Assistance Contract

SMART - System Metric and Reporting Tool

USAREC - U.S. Army Recruiting Command

Notes

Note 1 – Adequate based on testimonial evidence

Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics Comments



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

SEP 30 2010

MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION AND CONTRACT
MANAGEMENT, DoDIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS

SUBJECT: Response to DoDIG Draft Report on FY 2008 and FY 2009 DoD Purchases Made
Through the General Services Administration (Report No. D2009-D000CF-0259.000)

As requested, I am providing responses to the general content and recommendations
contained in the subject report.

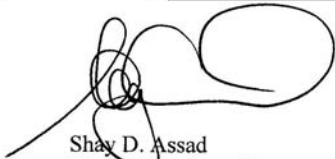
Recommendation 1:

We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics work with General Service Administration officials to enhance Part B of the interagency agreements to address problems identified in this report, including acquisition planning, audit trails, preparing military interdepartmental purchase requests, DoD contracting officer review, competition, price reasonableness determinations, contracting officer's representative letters, surveillance plans, and past performance. Further, the agreements should list the specific DoD and General Service Administration personnel who will be responsible for the areas and these individuals should sign the Part B of interagency agreements accepting the responsibility.

Response:

Concur. The Department, in collaboration with the Office of Federal Procurement Policy and other civilian agencies, is reviewing the standardized Interagency Agreement (IA) to identify necessary enhancements, especially in the financial accountability area, to the June 2008 IA format. The revised standardized IA is expected in FY 2011.

Please contact [REDACTED] at [REDACTED] or [REDACTED] if additional
information is required.


Shay D. Assad
Director, Defense Procurement
and Acquisition Policy

Office of the Under Secretary of Defense (Comptroller)/ Chief Financial Officer Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100


SEP 23 2010

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING
SERVICE, OFFICE OF INSPECTOR GENERAL, DEPARTMENT
OF DEFENSE

SUBJECT: Draft Audit Report, "FY 2008 and FY 2009 DoD Purchases Made Through
the General Services Administration", OIG Project No. D2009-D000CF-
0259.000

This memo is in response to the subject August 24, 2010 draft report provided to this
office for review and comment. Our response to the audit report recommendation directed to the
Under Secretary of Defense (Comptroller)/Chief Financial Officer is at Attachment 1.

We appreciate the opportunity to respond to your draft audit report and look forward to
resolving the cited issues. My point of contact is [REDACTED]. He can be contacted by
telephone at [REDACTED] or e-mail at [REDACTED].



Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

cc:
ODGC(F)



Attachment 1
DOD OIG DRAFT REPORT DATED AUGUST 24, 2010
PROJECT NO. D2009-D000CF-0259.000

**FY 2008 AND FY 2009 DOD PURCHASES MADE THROUGH THE GENERAL
SERVICES ADMINISTRATION**

**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)
(OUSD) COMMENTS TO THE DOD OIG RECOMMENDATIONS.**

RECOMMENDATION 2: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer direct the DoD Components to initiate preliminary reviews to determine whether the improper use of Government funds for three purchases resulted in Antideficiency Act Violations or other funding violations in accordance with DOD 7000.14-R, "DOD Financial Management Regulation."

OUSD(C) RESPONSE: Partially concur. The Deputy Chief Financial Officer concurs that preliminary reviews must be performed to determine whether formal investigations should occur for potential Antideficiency Act violations on improper use of Government funds for three purchases, however; the recommendation must be addressed to each of the DoD Components as the administrator of the funds and not to the Under Secretary of Defense (Comptroller)/Chief Financial Officer. This is in accordance with the DOD Financial Management Regulation, Volume 14, Chapter 3, for conducting preliminary investigations into potential Antideficiency act violations.

In order to expedite the process this time, DCFO requested that Air Force, Navy and the Defense Acquisition University initiate preliminary reviews on September 3, 2010. In the future the recommendations should be addressed directly to the Components.

Department of Defense Human Resources Activity Comments

Final Report
Reference



DEPARTMENT OF DEFENSE
HUMAN RESOURCES ACTIVITY
HEADQUARTERS
4040 FAIRFAX DRIVE, SUITE 200
ARLINGTON, VA 22203-1613

SEP 29 2010

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE
(ATTN: TERRY MCKINNEY)

SUBJECT: FY 2008 through FY 2009 DoD Purchases Made through the General Services
Administration

This is in response to the subject draft report (Enclosure 1) which includes findings for the Defense Manpower Data Center (DMDC), which is a component of the Defense Human Resources Activity (DHRA). Enclosure 2 provides DHRA's response on each of the DMDC findings and the report recommendation for the Directors of Defense Agencies.

This report is submitted by [REDACTED] of the Procurement Support Office, DHRA. Questions related to this response may be directed to her attention at [REDACTED] or via email: [REDACTED]

A handwritten signature in cursive script, appearing to read "Sharon H. Cooper".

Sharon H. Cooper
Director, Defense Human Resources Activity

Enclosures:
As stated

Enclosure 1
omitted because it
was a copy of the
draft report

Enclosure 2

DEFENSE HUMAN RESOURCES ACTIVITY (DHRA)
RESPONSE TO REPORT FINDINGS AND RECOMMENDATIONS

PART I: Response to the findings for the Defense Manpower Data Center (DMDC)

DHRA has reviewed the DMDC findings presented in the DoD IG report (project no. D2009-D00CF-0259.000) and our comments are provided below. For ease of reference, we have attached copies of the documents (Attachments A- I) that were provided to the DoD IG inspectors during their visit to the DMDC as part of the report review process. These documents mitigate the findings for which DHRA does not concur.

Appendix C: Identified Contracting Problems, Page 30:

Purchase 41: Software Development Support

Findings: No problems identified
Response: None required

Purchase 42: Rules Inference Software

Finding: (1) Inadequate Acquisition Planning
(2) No DoD COR Letter
(3) No surveillance Plan

Response: DHRA concurs with finding 1
DHRA does not concur with findings 2 and 3.

(1) Acquisition Planning was inadequate for Purchase 42. DHRA has implemented an IA review process that includes review of all acquisition planning documentation for accuracy, completeness and compliance with Federal Acquisition Regulations (FAR) Part 7.

(2) A DoD COR letter is not required for Purchase 42. This action was for the purchase of supplies (software). In accordance with Defense FAR Supplement (DFARS) PGI 201.602-2 (i)(A), the Contracting Officer (CO) shall designate a COR for *services* awarded by a DoD component or by any other Federal agency on behalf of DoD and the CO *may* designate a COR for other than service

contract actions. Therefore, designation of a COR was not required for this action.

(3) A surveillance plan is not required for Purchase 42. FAR 46.401(a) states: "Government contract quality assurance shall be performed at such times (including any stage of manufacture or performance of services) and places (including subcontractors' plants) as may be necessary to determine that the supplies or services conform to contract requirements. Quality assurance surveillance plans should be prepared in conjunction with the preparation of the statement of work."

This was a firm fixed price requirement for the purchase of a commercial off the shelf (COTS) software and therefore a surveillance plan is not required. DMDC correctly complied with FAR 8.406-2(a) "Inspection and Acceptance" by providing proof of delivery and acceptance to the GSA representative, Mr. Josh Barrak at 12:14am on October 16, 2008 (Attachment A).

Purchase 43: High-End Architecture Support

Findings: No problems identified
Response: None required

Purchase 44: Telos Task 1

Findings: No problems identified
Response: None required

Purchase 45: Telos Task 4

Findings: (4) Inadequate Price Reasonableness Determination
(5) No Surveillance Plan

Response: DHRA does not concur with findings 4 and 5 above.

(4) The Price Reasonableness Determination is not DHRA's responsibility for Purchase 45. The procuring contracting officer is responsible for making a determination of price reasonableness. Therefore, the GSA contracting officer is responsible for the completion of this document.

(5) A Surveillance Plan was completed for Purchase 45. The QASP was a deliverable under first task order of the IA. The Government then revised and updated that deliverable into the Government's March 24, 2009 version provided at Attachment B.

Appendix D: Identified Funding Problems, page 32

Revised page 34

Purchase 46: Software Development Support

- Findings:
- (6) Purchase reviewed at DOD
 - (7) Purchase Reviewed at GSA
 - (8) Inadequate MIPR Preparation
 - (9) Inadequate Interagency Agreement

Response: DHRA concurs with findings 6 and 7. Purchase 46 was reviewed at DoD and at GSA.

DHRA does not concur with findings 8 and 9, as follows:

(8) MIPR Preparation for Purchase 46 is accurate. The FY 08 and 09 MIPRs for Purchase 46 are provided at Attachment C). Each MIPR appropriately references the task order number; project title, and associated Performance Work Statement (PWS); includes the statement of bona fide need and the line of accounting; and reflects a period performance that is within the Base or Option periods stated in Part B of the respective interagency agreement.

(9) The Interagency Agreement for Purchase 46 is in compliance with the guidance existing at the time of its creation. A copy of the complete and signed agreement (Parts A and B) is provided at Attachment D.

Purchase 47: Rules Inference Software

- Findings:
- (10) Purchase reviewed at DOD
 - (11) Purchase Reviewed at GSA
 - (12) Inadequate MIPR Preparation
 - (13) Inadequate Interagency Agreement

Response: DHRA concurs with findings 10 and 11. Purchase 47 was reviewed at DoD and at GSA.

DHRA concurs in part with finding 12 and does not concur with finding 13, as follows:

(12) With the exception of one MIPR, all FY 08 and FY09 MIPRS for purchase 47 (provided at Attachment E) were accurately prepared. Only MIPR number XZ7H5V7XR025MP was inaccurate in that it did not include the period of performance. DHRA has implemented an IA review process that includes review of all MIPRS for accuracy and completeness.

(13) The IA maintained by DMDC for Purchase 47 is in compliance with the guidance existing at the time of its creation and the attending MIPRs serve as Part B of the IA (see January 9, 2010/09:06 AM email from Michael Canales, OSD,

Revised page 8,
number of
interagency
agreements
adequate

included at Attachment F). DHRA PSO has implemented an IA peer review process to ensure all future IAs contain accurate and complete Parts A and B.

Purchase 48: Hi-End Architecture Support

- Findings:
- (14) Purchase reviewed at DOD
 - (15) Purchase Reviewed at GSA
 - (16) Inadequate MIPR Preparation
 - (17) Inadequate Interagency Agreement

DHRA concurs with findings 14 and 15. Purchase 48 was reviewed at DoD and at GSA.

DHRA does not concur with findings 16 and 17, as follows:

(16) MIPR Preparation for Purchase 48 was adequate. The FY 08 and 09 MIPRs for Purchase 48 are provided at Attachment G. Each MIPR appropriately references the task order number; project title, and associated Performance Work Statement (PWS); includes the statement of bona fide need and the line of accounting; and reflects a period performance that is within the Base or Option periods stated in Part B of the respective IA.

(17) The Interagency Agreement for Purchase 48 is adequate. A copy of the complete and signed agreement (Parts A and B) is provided at Attachment H.

Purchase 49: Telos Task I

- Findings:
- (18) Purchase reviewed at DOD
 - (19) Purchase Reviewed at GSA
 - (20) Inadequate MIPR Preparation

DHRA concurs with findings 18 and 19. Purchase 49 was reviewed at DoD and at GSA.

DHRA concurs with finding 20, as follows:

(20) MIPR Preparation for Purchase 49 was not adequate. MIPR number XS9H5A9XF365MP (Attachment I) cites a period of performance of May 8, 2009 through May 7, 2010. The correct period of performance, as stated in Part B of the respective IA, is May 7, 2009 through May 6, 2010. DHRA has implemented an IA peer review process that includes review of all IA MIPRS for accuracy and completeness.

Purchase 50: Telos Task 4-IT Hardware

- Findings;
- (21) Purchase reviewed at DOD

Revised page 8,
number of
interagency
agreements
adequate

(22) Purchase Reviewed at GSA

DHRA concurs with findings 21 and 22. Purchase 49 was reviewed at DoD and at GSA.

Part II: Response to Recommendation Number 3, page 22 of GAO report: Establishment of a Peer Review Process for Interagency Agreements (IAs).

DHRA received contracting authority for its newly established procurement support office (PSO) October 8, 2009. The PSO has sought to improve its understanding of the policy and regulations governing IAs and has embraced the use of Peer reviews for all DHRA IAs, by taking the following actions:

April 21, 2010: The PSO Director conducted an off-site meeting with the Chiefs of the PSO Contracting and Policy and Compliance Branches to:

- Review the IA related policy and regulations to better understand the process. Reviewed documentation included, but was not limited to the Federal Acquisition Regulations (FAR) and the Defense Supplement (DFARS), the Financial Management Regulation (FMR) and all of the policy memoranda posted on the Defense Procurement and Acquisition Policy website at: http://www.acq.osd.mil/dpap/cpic/cp/interagency_acquisition.html issued by DoD
- Identify and find solutions to the issues found in IA packages that had been submitted to the PSO.
- Draft the process that the PSO is now using for receipt and review of all IAs packages to ensure all of the appropriate supporting documentation is accurate and complete.

The PSO Director and Chiefs of the PSO Contracting and Policy and Compliance Branches each reviewed the Draft Standard Interagency Agreement (IAA) included in the FY 2010 Interagency Acquisition Data Request from the Office of Federal Procurement Policy in April 2010. The Policy and Compliance Branch Chief compiled and submitted the PSO comments to the OFPP through the MAX system at www.omb.gov June 4, 2010.

The PSO Policy and Compliance Chief have participated in the Standardizing and Improving Interagency Agreements training conducted by the Office of Management and Budget (OMB) and the Treasury Department June 24 and September 8, 2010.

The PSO requested and received approval from OFPP to participate in the OMB/Treasury Department's Standard Interagency Agreement Pilot program which is planned to "kickoff" in October 2010.

Under Secretary of the Navy Comments



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(RESEARCH, DEVELOPMENT AND ACQUISITION)
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

October 1, 2010

MEMORANDUM FOR NAVAL INSPECTOR GENERAL

Subject: DRAFT REPORT: FY 2008 and 2009 FY DoD Purchases Made Through
the General Services Administration, Project No.
D2009-D000CF-0259.000

We have reviewed the subject draft report and recommendations. The DoN
response to Recommendation A.3 is attached.

The point of contact for this matter is [REDACTED], who is available at
[REDACTED] or [REDACTED]

A handwritten signature in cursive script, reading "Bruce A. Sharp", is positioned above the printed name.

Bruce A. Sharp
Director, Program Analysis and
Business Transformation
Deputy Assistant Secretary of the Navy
(Acquisition & Logistics Management)

Attachment: As stated

Copy to:
DoDIG

Department of the Navy Comments on DoDIG Draft Report:

FY 2008 and FY 2009 DoD Purchases Made Through the
General Services Administration
Project No. D2009-D000CF-0259.000

Recommendation A.3. We recommend that the Under Secretaries of the Army, Navy, Air Force, and Directors of the Defense agencies establish a peer review process for the requesting organization to ensure that interagency contracting practices adhere to the Federal Acquisition Regulation and DOD guidance. Areas to be reviewed include, but are not limited to: acquisition planning, interagency agreements, military interdepartmental purchase request preparation, DOD contracting office approval, contracting officer's representative designations, surveillance plans, and past performance input.

DoN Response: Partially concur. We concur there should be procedures to ensure that interagency acquisition practices adhere to applicable regulation and guidance, however, we do not consider Peer Review procedures appropriate.

The Peer Review process, as implemented by OSD, requires a three or four phased review of every contract action over \$1,000,000,000. The DoN peer review program requires reviews on contract actions between \$50,000,000 and \$1,000,000,000. A basic tenet of peer reviews is that the independent review will be conducted by outside source(s). Applying peer review procedures for interagency acquisitions would be excessive, expensive and administratively burdensome.

Rather than applying peer review procedures to interagency acquisition, we recommend that interagency acquisition policies/procedures/internal controls be special interest items in periodic activity command inspections, performance management assessments and similar reviews.

Under Secretary of the Air Force Comments



DEPARTMENT OF THE AIR FORCE WASHINGTON, DC

OCT 13 2010

OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR DOD OFFICE OF INSPECTOR GENERAL

FROM: SAF/AQC
1060 Air Force Pentagon
Washington, DC 20330-1060

SUBJECT: Draft Report: FY 2008 and FY 2009 DoD Purchases Made Through the General Services Administration, Project No. D2009-D000CF-0259.000

Audit Recommendation #3: "We recommend that the Under Secretaries of the Army, Navy, Air Force, and Directors of the Defense agencies establish a peer review process for the requesting organization to ensure that interagency contracting practices adhere to the Federal Acquisition Regulation and DoD guidance. Areas to be reviewed include, but are not limited to: acquisition planning, interagency agreements, military interdepartmental purchase request preparation, DoD Contracting Office approval, contracting officer's representative designations, surveillance plans, and past performance input."

SAF/AQC Response: Concur in part. The Air Force currently utilizes a review team process to ensure interagency contracting practices adhere to the Federal Acquisition Regulation and DoD guidance. AFI 65-116, Air Force Purchases Using Military Interdepartmental Purchase Requests (MIPR), outlines the roles and responsibilities of a multifunctional team that oversees the MIPR and Interagency process. When an interagency requirement is considered, coordination and review occur between the requiring activity program manager, resource advisor, financial management analysis advisor, and the supporting contracting office. This group reviews the requirement, performs acquisition planning by developing the overall strategy for managing the acquisition, prepares the MIPR and interagency agreement, appoints a Contracting Officer Representative (as required) and designates a surveillance plan addressing how contractor performance will be assessed (as required), and coordinates with the supporting contracting office for approval utilizing AFI 65-116 and AFFARS MP5317.78, Contracts or Delivery Orders Issued by a Non-DoD Agency as a guide, ensuring interagency contracting practices adhere to Federal Acquisition Regulations and DoD guidance.

Additionally, when the Air Force is the contracting agency, AFFARS 5301.9001, Policy, Thresholds, and Approvals, establishes contract clearance procedures for all Air Force requirements above \$500K. The objectives of the Air Force business and contract clearance process are to ensure: 1. contract actions effectively implement approved acquisition strategies; 2. Negotiations and contract actions result in fair and reasonable business arrangements; 3. Negotiations and contract actions are consistent with laws, regulations, and policies; 4. An independent review and assessment (peer review) for the proposed contract action is

accomplished. Further, when the Air Force is the contracting agency and in accordance with AFFARS MP5301.9001(b), Clearance – Multifunctional Independent Review, the Clearance Approval Authority (CAA) will use Multi-Functional Review Teams (MIRT) as an integral component of the clearance process for competitive acquisitions of \$50M or more. This includes task orders for services issued against multiple award indefinite delivery/indefinite quantity contracts (to include GSA schedules). At the discretion of the CAA, this mandatory procedure may be applicable to competitive acquisitions below \$50M or to non-competitive acquisitions at any dollar threshold.

Also, AFFARS MP5301.601-91, Air Force Contracting Compliance Inspection Program, Air Force Compliance Checklist, paragraph 2.1.6, ensures the following interagency acquisition policies and procedures are adhered to and followed: 1. Assisted acquisitions: Are MIPRS reviewed for compliance with Air Force MIPR Policy (including GSA) including consideration of the fee paid?; 2. Assisted acquisitions: For services over the Simplified Acquisition Threshold, has the Services Designated Official approved any purchase requests for services acquisitions to be purchased using a contract or task order being awarded by an agency other than DoD?; 3. Direct acquisitions: Do contracts and orders to non-DoD agencies include a best interest determination? 4. Are Economy Act purchases supported by a determination and finding (D&F) when required?

In summary, the Air Force has a contract clearance review, multifunctional team review and compliance inspection process to ensure interagency contracting practices adhere to the Federal Acquisition Regulation and DoD guidance. Applying additional peer review procedures that include reviews conducted for or by organizations outside of the Air Force for interagency acquisitions would be excessive, expensive, administratively burdensome, and not beneficial. Therefore, we believe the processes the Air Force has recently implemented for oversight of interagency contracting are appropriate.

My point of contact on this matter is [REDACTED] who may be reached at [REDACTED] or [REDACTED]



PAMELA C. SCHWENKE
Associate Deputy Assistant
Secretary (Contracting)
Assistant Secretary (Acquisition)

Defense Intelligence Agency Comments



DEFENSE INTELLIGENCE AGENCY
WASHINGTON, D.C. 20340-5100



U-10-2040/CE

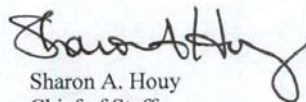
SEP 23 2010

To: Inspector General
Department of Defense
400 Army Navy Drive
Arlington, Virginia 22202-4704

Subject: FY 2008 and FY 2009 DoD Purchases Made Through the General Services
Administration (GSA) (Project No. D2009-D000CF-0259.000)

Reference: DoD Office of Inspector General, Draft Report, dated 24 August 2010

1. This letter responds to the reference, which recommends Directors of Defense Agencies establish a peer review process to ensure users of interagency contracting adhere to federal acquisition regulation and Department of Defense (DoD) guidance. The Defense Intelligence Agency (DIA) is issuing a comprehensive acquisition peer review plan and an acquisition advisory promulgating best practices for contracting through the GSA.
2. Should the Under Secretary of Defense for Acquisition, Technology, and Logistics or the Under Secretary of Defense (Comptroller)/Chief Financial Officer issue additional policy guidance on interagency acquisitions as recommended by the DoD Office of Inspector General, DIA will readily and fully comply.
3. The DIA point contact for this action is [REDACTED], Chief, Acquisition Policy and Outreach, [REDACTED], [REDACTED]


Sharon A. Houy
Chief of Staff

Defense Commissary Agency Comments



REPLY TO
ATTENTION OF

DEFENSE COMMISSARY AGENCY
HEADQUARTERS
1300 E AVENUE
FORT LEE, VIRGINIA 23801-1800

IR

September 23, 2010

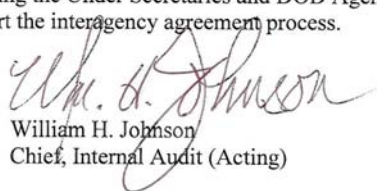
MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
(ATTN: PROGRAM DIRECTOR, ACQUISITION AND CONTRACT
MANAGEMENT)

SUBJECT: FY 2008 and FY 2009 DOD Purchases Made Through the General Services
Administration (Project No. D2009-D000CF-0259.000)

The Defense Commissary Agency (DeCA) has reviewed the subject draft report, and
submits the following comments:

- Recommendation 3. We recommend that the Under Secretaries of the Army, Navy, and Air Force, and Directors of the Defense Agencies establish a peer review process for the requesting organization to ensure that interagency contracting practices adhere to the Federal Acquisition Regulation and DOD guidance. Areas to be reviewed include, but are not limited to, acquisition planning, interagency agreements, military interdepartmental purchase request preparation, DOD contracting office approval, contracting officer's representative designations, surveillance plans, and past performance input.
- Management comments: Concur

Our Agency is interested in maintaining our close working relationships with each of the Services as we bring our critical benefit to Service members and their families. Interagency agreements with host bases around the world are critical to the smooth functioning of our commissaries. DeCA looks forward to joining the Under Secretaries and DOD Agency Directors to establish a peer review function to support the interagency agreement process.


William H. Johnson
Chief, Internal Audit (Acting)

The Commissary - It's Worth the Trip!

Defense Contract Management Agency Comments



DEFENSE CONTRACT MANAGEMENT AGENCY

6350 WALKER LANE, SUITE 300
ALEXANDRIA, VIRGINIA 22310-3241

SEP 16 2010

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL, PROGRAM
DIRECTOR, ACQUISITION AND CONTRACT MANAGEMENT

SUBJECT: Department of Defense Office of Inspector General (DoDIG) report on FY 2008
and FY 2009 DoD Purchases Made Through the General Services Administration
Project Number: D2009-D000CF-0259.000

The subject DoDIG report requested a response to Recommendation 3 to establish a peer review process for the requesting organization to ensure that interagency contracting practices adhere to the Federal Acquisition Regulation and DoD guidance.

This office concurs with Recommendation 3 that DCMA conduct peer reviews of interagency purchases. DCMA currently has a peer review process that requires all interagency acquisitions be reviewed and approved by Legal Counsel, a Procurement Center Contracting Officer, and the Executive Director, Contracts (Senior Executive Service (SES) level) before an interagency purchase is made. This process provides adequate review to ensure DCMA complies with FAR, DFARS, and DoD policies. Additionally, DCMA has established a draft instruction on Interagency and Interservice Acquisitions that includes documentation requirements for all areas the DoDIG recommended for peer review.

In addition, DCMA Procurement Policy conducted a procurement management review (PMR) of MIPRs issued by DCMA during FY09 and going forward, Procurement Policy will conduct an annual PMR of all MIPRs issued by DCMA for compliance with the FAR, DFARS, and DoD and DCMA policies.

My point of contact for this action is [REDACTED]


DAVID E. RICCI
Executive Director
Contracts


General Services Administration Comments



GSA Federal Acquisition Service

SEP 24 2010

MEMORANDUM FOR TERRY McKINNEY
PROGRAM DIRECTOR, ACQUISITION AND
CONTRACT MANAGEMENT
INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM: STEVEN J. KEMPF 
COMMISSIONER
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: DOD Draft Report, "FY 2008 and FY 2009 DOD
Purchases Made through the General Services
Administration (Project No. D2009-D000CF-0259.000)."

Thank you for the opportunity to comment on the draft report, "FY 2008 and FY 2009 DOD Purchases Made through the General Services Administration (Project No. D2009-D000CF-0259.000)." GSA values its partnership with the Department of Defense (DoD). We strive to assure that all of our acquisitions meet the needs of our DoD clients in a most efficient and cost effective manner. GSA has made significant strides over the last several years and supports a culture of continuous improvement to evolve with our DOD customers' needs. Our Assisted Acquisition Services (AAS) program places great emphasis on internal consistency and oversight based on recommendations from your previous audit. GSA has provided ongoing training to its workforce to assure that those delivering assisted acquisition services understand the specific needs and requirements of DoD clients. This is a critical part of the GSA value-add. The audit found that GSA has improved its funding and contracting practices. GSA is pleased that our efforts have produced these positive results.

In the last two years, AAS has initiated several actions to further strengthen administrative contracting and oversight practices. For example, an Acquisition Compliance Framework structure in the Portfolio to include the establishment of a Governance Council has been developed. AAS continues to enhance the guidance and training provided to the acquisition workforce, and will establish further levels of management control through an internal peer review process. Furthermore, it will move towards a fully electronic acquisition environment that will incorporate best practices of the acquisition community, and provide consistency and transparency of acquisition files that support customer needs.

U.S. General Services Administration
2200 Crystal Drive
Arlington, VA 20406-0003
www.gsa.gov

These steps will preserve gains and improvements noted in the current audit while focusing additional attention on post-award contract administration. The Assisted Acquisition Services program is focused on increasing the value of services it provides and will implement additional changes in its service delivery model in fiscal year 2011.

GSA supports competition as a way to get the best value for customers. We utilize the eBuy system as a means to promote full and open competition. Requests for Quotes submitted through eBuy during Fiscal Years 2009 and 2010 returned an average of three quotes. This is an excellent tool that provides both fair notice and meaningful competition.

The conclusion of the draft report notes that GSA returned approximately \$860 million to DOD in recent years. This \$860 million was returned from fiscal years 2007 through 2009. GSA is committed to putting client funds to the most effective use possible, as demonstrated by the fact that over 40% of the \$860 million was returned within its period of availability. Although a portion of the returned funds were expired, it is important to recognize that some of those funds were residual funds released from the task order after the closeout process was complete. GSA will continue to closely and actively monitor customer funds.

GSA agrees with the recommendations as written with one clarification. The first recommendation states, "...the agreements should list the specific DOD and General Services Administration personnel who will be responsible for the areas and these individuals should sign the Part B of interagency agreements accepting the responsibility." GSA interprets the responsible assisted acquisition personnel to be the Directors of the respective Client Support Centers. In addition, GSA will work with the Under Secretary of Defense for Acquisition, Technology, and Logistics to enhance Part B of the interagency agreements or the pending guidance that is expected to replace it, to address any remaining issues identified in the report.

cc: Mr. Theodore R. Stehney
Assistant Inspector General
For Auditing (JA)



Inspector General Department of Defense

